ANNUAL COMPREHENSIVE FINANCIAL REPORT

CITY OF LUCAS, TEXAS

Fiscal Year Ended September 30, 2025

Prepared by Finance Director, Liz Exum

Lucas

City of Lucas, Texas

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September 30, 2025

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INTRODUCTORY SECTION

Lucas

City of Lucas
665 Country Club Road
Lucas, Texas 75002
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January 30, 2026

The Honorable Mayor, Council Members
and Citizens of the City of Lucas, Texas:

It is our pleasure to submit to you the Annual Comprehensive Financial Report of the City of Lucas, Texas for the fiscal year ended September 30, 2025. Responsibility for both the accuracy and completeness of the presented data and the creation of transparency between the local government and the community in which it serves rests with the city.

The goal of the independent audit, conducted by BrooksWatson & Co., PLLC is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2025, were free of material misstatement. The independent auditor's report is located in the beginning of the financial section of the Annual Comprehensive Financial Report, and we are pleased to report the issuance of an unmodified ("clean") opinion on the City of Lucas' financial statements for the year ended September 30, 2025.

This letter of transmittal is designed to complement Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements.

Our City

The City of Lucas was incorporated on February 19, 1959, and adopted its Home-Rule Charter on May 15, 2008. The City of Lucas operates under the Council-Manager form of government. The City Council is the legislative body of the city government, and it is composed of seven members, including the mayor and six council members elected at-large and is responsible for enacting local legislation, adopting the annual budget, and serving as policymakers. The City Council appoints a City Manager who serves as the chief executive officer of the City and is responsible for the City's proper administration and daily operations including the implementation of the policies adopted by the City Council.

The citizens of Lucas enjoy a unique quality of life that incorporates a rural lifestyle, family-friendly atmosphere, exceptional educational systems, and natural beauty which is preserved through zoning that requires homes to be built on large lots. The community is primarily comprised of low-density housing and estate style living. The City of Lucas' location in Collin County can be described as a bedroom community that is conveniently located near local and regional economic areas, making the city a stable and attractive community. The City of Lucas provides excellent essential services to residents, promotes beautification of the environment, and creates special events to bring together the community. Special events and programs in addition to distinguished recognition received in fiscal year 2024/2025 included the following:

- Special Events and Programs
  - Lucas Farmers Market (12 markets with special events)
  - Movie in the Park
  - Arbor Day and Recycling Event
  - Country Christmas
  - Keep Lucas Beautiful Spring Cleanup
  - Founders Day
  - Public Lands Trail Cleanup
  - Lucas Car Show
  - Art in Public Places

- Distinguished Recognition
  - Keep Texas Beautiful 2024 Gold Star Status
  - Scenic Texas Silver Certified City

Our Economy

With an estimated population of 9,438, Lucas has experienced measured growth as people leave the more urban areas of the metroplex and seek the higher quality of life that Lucas offers its residents. Most Lucas residents work outside of Lucas city limits and commute within the Dallas area.

The City of Lucas is located within the Dallas-Fort Worth Metroplex and benefits from the stability of the regional economy. During the fiscal year ended September 30, 2025, the City's economy remained stable within the Metroplex, supported by its residential character, the availability of high-quality home sites, and a stable property tax base.

Highlights for fiscal year 2024/2025 include:

- Property tax revenue increased by $407,497 (10.6%) and sales tax revenue increased by $183,268 (9.17%) from previous fiscal year 2023/2024. Revenue increases attributable to property taxes are being used to fund the Fire Dept. Accessory building and roadway improvements.
- 43 new homes permitted with an average taxable market value of $1,102,913.
- Residential development included Sandalwood Estates and Wildflower Estates.
- Roadway improvements included concrete repairs, panel replacement, asphalt patching and crack sealing of various roadways. Onyx Seal surface treatment occurred at North Star, Lakeview Drive, Bloom Street, and Stinson Road.
- Water system improvements included fire hydrant and valve maintenance, McGarity stem replacement, design completion of Osage Lift Station for mechanical, electrical, and civil site work improvements, Advanced Metering Infrastructure (AMI) upgrade for Neptune water meter reading system (in final stages), and construction of a 750,000-

gallon elevated water storage tank (West Lucas Road – 98% complete) anticipated completion is early 2026.
- Drainage improvements included culvert replacements at Meadowbrook, Harvest Way, and Woodmoor.

Our Operational Efficiencies

The City of Lucas has been able to overcome challenges faced with high inflation costs while maintaining one of the lowest property tax rates in Collin County, Texas. The City has continued to provide excellent essential services while maintaining strong financial reserves in both the General and Water Funds.

The City has made improvements to operational efficiencies at both City Hall and the Fire Station. Improvements to operations included the following:

- Implementation of MGO software to streamline public information requests, online permitting, and public works service orders.
- ISO Class 1 Rating by Texas State Fire Marshal to provide excellent fire protection services and reduce insurance costs for citizens.
- Fire Department Accessory Building to protect and store equipment and vehicles (90% complete).
- TMRS retirement plan contribution rate change was approved increasing from 7 percent to 8 percent, strengthening long-term fiscal and workforce sustainability.
- New playground equipment at Forest Creek Park was installed utilizing grant funding acquired from Texas Parks and Wildlife.
- New City website was launched to improve access to information and expansion of online services.

Our Internal Controls

Management of the City is responsible for establishing and maintaining an internal control structure. This structure is designed to provide reasonable, but not absolute, assurance that: (1) City assets are protected from loss, theft, or misuse; and (2) City financial records and data are accurate and reliable. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of cost and benefits require estimates and judgments by management.

Our Future

At the end of September 2025, the City of Lucas is working on the following:

- Developing a long-range plan for Lucas Fire-Rescue.
- New fire engine specification and ambulance with an estimated arrival date in late 2026.
- Establishment of a municipal police department.
- Roadway improvements at Woodmoor, Meadows, and E. Winningkoff.
- Bidding of Osage Lift Staton for mechanical, electrical, and civil site work improvements.
- Construction of the Estates water line replacement and water line loop at North Pump Station.
- Repaint and rehabilitation of McGarity pump station tank.
- Design of 1 million gallon ground storage tank at McGarity.
- Design of Stinson Road Culvert at Muddy Creek.
- Design for West Lucas Road Reconstruction Project – (Alternative 2) revision, relocation of the wastewater force main, and the addition of a sidewalk/trail on the north side of the road. (90% complete).
- Lucas Town Center planned development (PD) approved by Planning and Zoning (P&Z) for a 42-acre commercial development on the Northwest corner of Parker Road and Country Club to include a Tom Thumb grocery store, retail, fitness center, gas station, and restaurants, (currently under development).
- Retail office complex locations at the intersection of East and West Lucas Road and McGarity.

Our Financial Standards

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received, and the liabilities are incurred. Accounting records for the City's water and sewer utility, and other proprietary activities are maintained on an accrual basis.

Budgeting is an essential element of the financial planning, control, and evaluation process of municipal government. In compliance with GASB 54, the City's financial practice requires a General Fund reserve equal to at least six months of working capital, which equates to 50% of expenditures. The current reserve in the general fund is 12.3 months with funds equaling 103% of this year's budgeted expenditures.

The City also maintains a reserve of six months of working capital, which equates to 50% of expenditures in its Water Fund. Water bond covenants require the City to maintain reserve amounts sufficient to cover the average annual debt service requirements. The City's current reserve in the Water Fund is at 21 months with current funds equaling 175% of this year's expenditures.

City of Lucas
665 Country Club Road
Lucas, Texas 75002
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www.lucastexas.us

Our Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lucas for its Annual Comprehensive Financial Report for the fiscal years ended September 30, 2010, through 2024. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report whose contents conform to program standards. Such report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. This was the fifteenth consecutive year that the City has received this prestigious award.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Our Appreciation

Many people are responsible for the preparation of this report and for the maintenance of records upon which it is based. Appreciation is expressed to the city employees throughout the organization, especially those employees of the Finance Department who were instrumental in the successful completion of this report. Our appreciation is also extended to the Mayor and members of the City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

John Whitsell
City Manager

Liz Exum
Finance Director

Lucas

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lucas
Texas

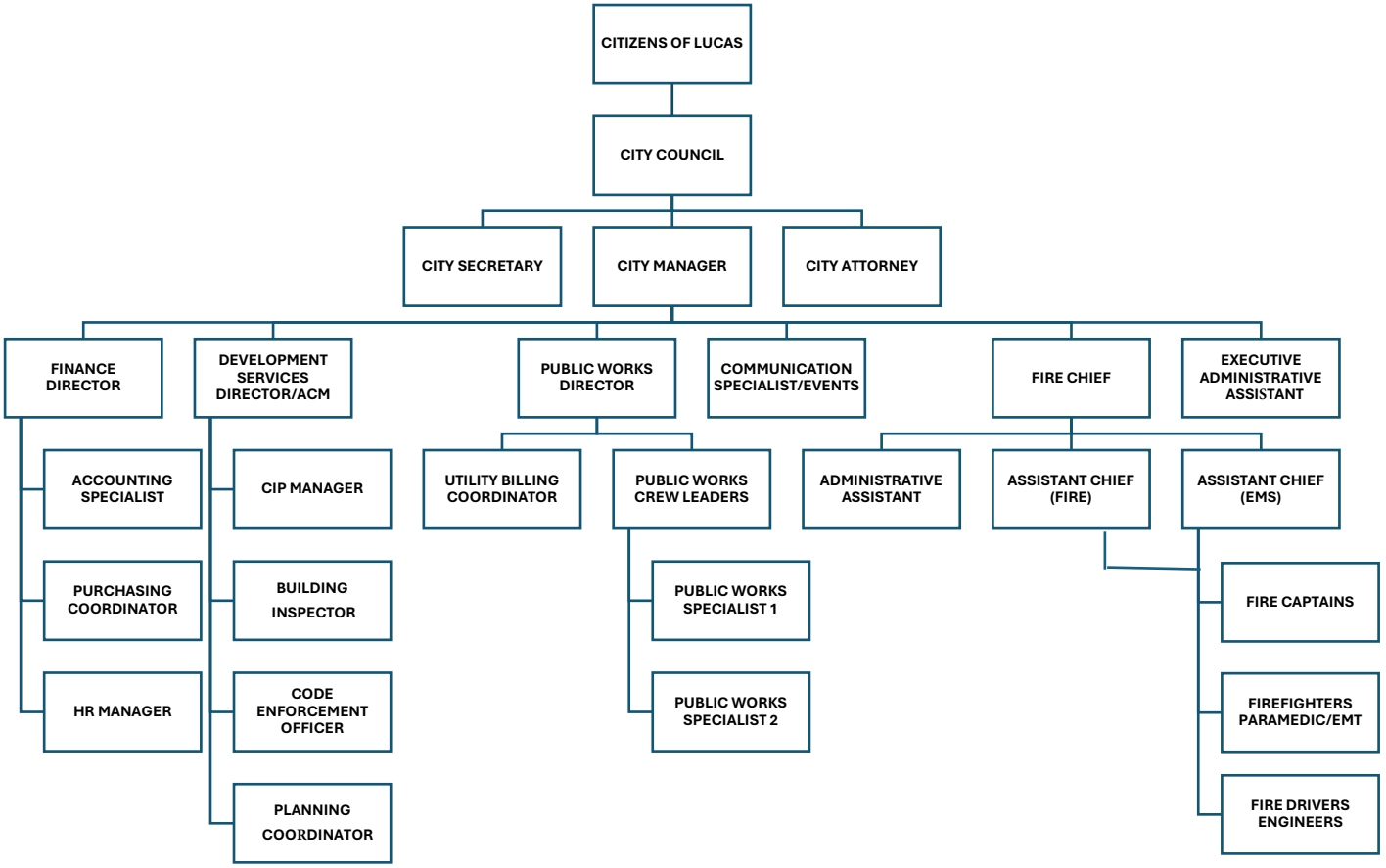
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morrill

Executive Director/CEO

CITY OF LUCAS
ORGANIZATIONAL CHART



CITY OF LUCAS, TEXAS
ELECTED OFFICIALS AND
ADMINISTRATIVE OFFICERS
SEPTEMBER 30, 2025

City Council:

Dusty Kuykendall	Mayor
Debbie Fisher	Mayor Pro Tem, Seat 5
Tim Johnson	Seat 1
Brian Stubblefield	Seat 2
Chris Bierman	Seat 3
Philip Lawrence	Seat 4
Neil Peterson	Seat 5

Administrative Officers:

John Whitsell	City Manager
Liz Exum	Finance Director
Jeremy Bogle	Public Works Director
Vacant	Fire Chief
Joe Hilbourn	Development Services Director

Lucas

FINANCIAL SECTION

Lucas

BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Lucas, Texas:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Lucas, Texas (the "City") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Lucas, Texas, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Lucas, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note V.E. to the financial statements, due to the recognition of GASB 101, *Compensated Absences*, the City restated beginning net position for governmental activities, utilities fund, and business-type activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedule of changes in the other postemployment benefits liability and the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BrooksWatson & Co.
Certified Public Accountants
Houston, Texas
January 30, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lucas

City of Lucas, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2025

As management of the City of Lucas, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2025 by $101,728,235. Of this amount, $27,898,362 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's total net position increased by $10,648,341. The majority of the City's net position are invested in capital assets and restricted for specific purposes.

- The City's governmental funds reported combined ending fund balances of $29,374,459 at September 30, 2025, an increase of $3,351,981 from the prior fiscal year; this includes an increase of $69,053 in the debt service fund, an increase of $353,038 in the capital improvement fund, an increase of $58,076 in the nonmajor Lucas Fire District fund, and an increase of $2,871,814 in the general fund.

- At the end of the fiscal year, unassigned fund balance for the general fund was $11,533,595 or 144% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, development services, and parks and recreation. The business-type activities of the City include water and sewer operations.

The government-wide financial statements only include the City itself (known as the *primary government*), and does not include any other legally separate entities for which the City is financially accountable.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental* activities in the government-wide financial statements. By

doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. The Lucas fire district fund is considered nonmajor for reporting purposes.

The City adopts an annual appropriated budget for its general fund, debt service fund, capital improvements fund, and fire district fund. A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer fund since it is considered a major fund of the City.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Lucas, assets and deferred outflows exceed liabilities and deferred inflows by $101,728,235 as of September 30, 2025 in the primary government.

The largest portion of the City's net position, $64,005,704, reflects its investments in capital assets (e.g., land, city hall, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	$ 39,379,781	$ 15,998,972	$ 55,378,753	$ 36,878,531	$ 15,879,250	$ 52,757,781
Capital assets, net	45,759,985	28,369,874	74,129,859	42,998,156	25,452,382	68,450,538
Total Assets	85,139,766	44,368,846	129,508,612	79,876,687	41,331,632	121,208,319
Total Deferred Outflows	592,230	130,901	723,131	651,615	143,039	794,654
Other liabilities	10,374,602	894,816	11,269,418	11,189,498	956,221	12,145,719
Long-term liabilities	12,273,816	3,976,858	16,250,674	13,393,908	4,455,608	17,849,516
Total Liabilities	22,648,418	4,871,674	27,520,092	24,583,406	5,411,829	29,995,235
Total Deferred Inflows	947,230	36,186	983,416	912,703	15,141	927,844
Net Position:						
Net investment in capital assets	39,822,067	24,183,637	64,005,704	36,093,275	21,644,341	57,737,616
Restricted	8,552,530	1,271,639	9,824,169	6,643,108	1,118,064	7,761,172
Unrestricted	13,761,751	14,136,611	27,898,362	12,295,810	13,285,296	25,581,106
Total Net Position	$ 62,136,348	$ 39,591,887	$ 101,728,235	$ 55,032,193	$ 36,047,701	$ 91,079,894

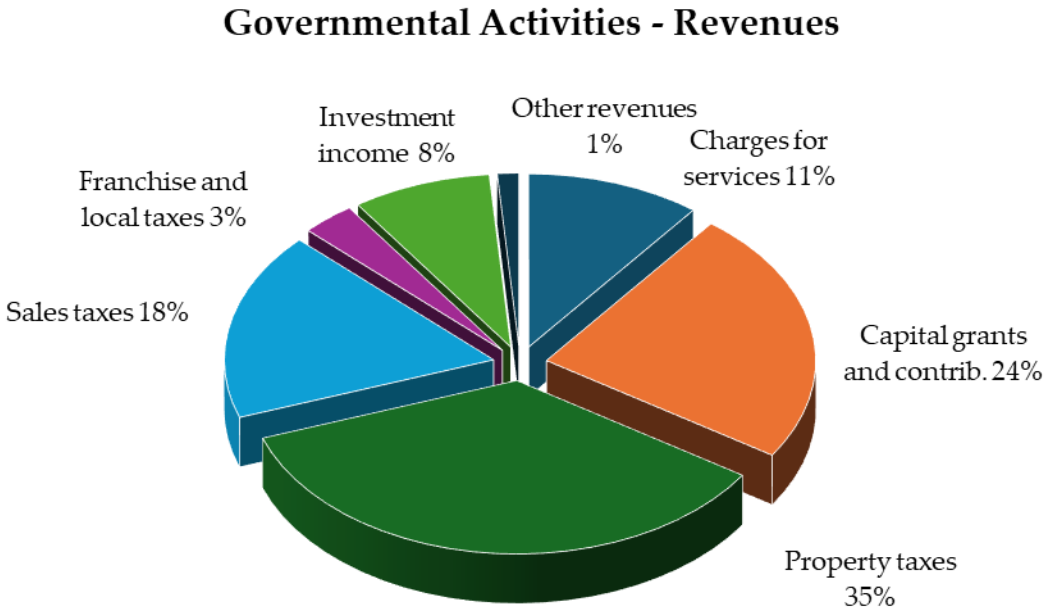
During the current year, the City's current assets for governmental activities increased by $2,501,250. This change was a direct result of the greater investment balances, resulting from operating surpluses and new interest-bearing account purchases in the current year. Long-term liabilities for the primary government decreased $1,598,842 as a result of the principal payments made on long-term debt and a decrease in the City's net pension liability in the current year. The City's capital assets for the primary government increased $5,679,321 primarily due to the City's investments in infrastructure assets and capital contributions received, related to Dean Farms and Enchanted Creek improvements in the current year. Other liabilities for the primary government decreased $876,301 due to a decline in vendor payables and unearned grant revenue as of the end of the year.

Statement of Activities:

The following table provides a summary of the City's changes in net position:

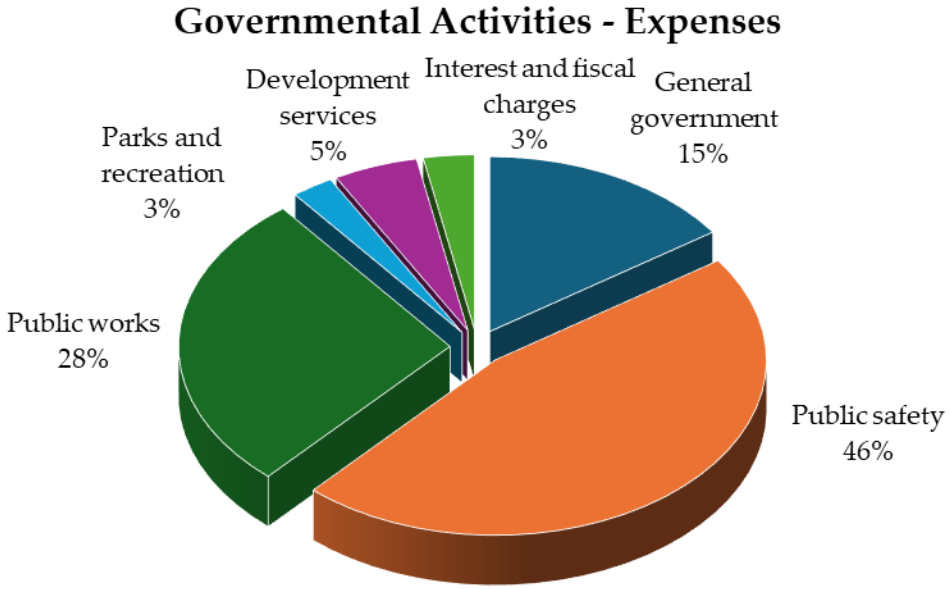
	For the Year Ended September 30, 2025			For the Year Ended September 30, 2024		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	$ 1,731,783	$ 8,088,531	$ 9,820,314	$ 1,375,715	$ 8,079,552	$ 9,455,267
Capital grants and contrib.	3,921,277	1,762,321	5,683,598	877,760	876,793	1,754,553
Operat. grants and contrib.	-	-	-	294,555	2,123,502	2,418,057
General revenues:						
Property taxes	5,852,041	-	5,852,041	5,539,197	-	5,539,197
Sales taxes	2,902,063	-	2,902,063	2,657,921	-	2,657,921
Franchise and local taxes	530,571	-	530,571	522,937	-	522,937
Investment income	1,379,320	579,546	1,958,866	1,154,624	699,059	1,853,683
Other revenues	212,590	-	212,590	225,686	-	225,686
Total Revenues	16,529,645	10,430,398	26,960,043	12,648,395	11,778,906	24,427,301
Expenses						
General government	1,509,040	-	1,509,040	1,407,314	-	1,407,314
Public safety	4,546,921	-	4,546,921	4,727,403	-	4,727,403
Public works	2,726,226	-	2,726,226	2,443,601	-	2,443,601
Parks and recreation	245,434	-	245,434	255,767	-	255,767
Development services	493,278	-	493,278	446,004	-	446,004
Interest expense	298,191	102,990	401,181	335,916	118,851	454,767
Utility	-	6,389,622	6,389,622	-	6,102,707	6,102,707
Total Expenses	9,819,090	6,492,612	16,311,702	9,616,005	6,221,558	15,837,563
Change in Net Position Before Transfers	6,710,555	3,937,786	10,648,341	3,032,390	5,557,348	8,589,738
Transfers	393,600	(393,600)	-	389,592	(389,592)	-
Total	393,600	(393,600)	-	389,592	(389,592)	-
Change in Net Position	7,104,155	3,544,186	10,648,341	3,421,982	5,167,756	8,589,738
Beginning Net Position	55,032,193	36,047,701	91,079,894	51,610,211	30,879,945	82,490,156
Ending Net Position	$ 62,136,348	$ 39,591,887	$ 101,728,235	$ 55,032,193	$ 36,047,701	$ 91,079,894

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.



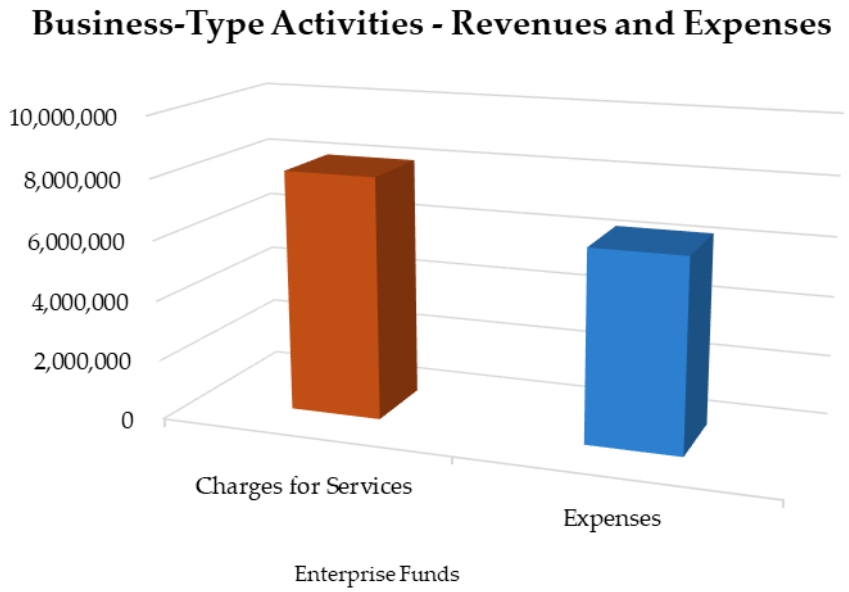
For the year ended September 30, 2025, revenues from governmental activities totaled $16,529,645. Property tax, sales tax and capital grants and contributions are the City's largest general revenue sources. Overall revenue increased $3,881,250 or 31%. Charges for services increased by $356,068 or 26% primarily due to greater impact fees, park dedication fees, and fire department service agreements in the current year. Grants and contributions increased by $2,748,962 or over 100% which is attributed to nonrecurring capital contributions, related to Dean Farms and Enchanted Creek improvements in the current year. Property taxes increased by $312,844 or 6%, which is primarily attributed to the increase in appraised property values. Sales taxes increased by $244,142 or 9% due to economic growth, fueled by local purchases. Investment income increased by $224,696 or 19% as a result of greater interest-bearing cash accounts in the current year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:



For the year ended September 30, 2025, expenses for governmental activities totaled $9,819,090. This represents an increase of $203,085 or 2% from the prior year. The City's largest functional expense is public safety of $4,546,921, which decreased of $180,482 or 4%, and is considered minimal. General government increased by $101,726 or 7% primarily due to increased personnel costs, related to a new executive admin hire in the current year. Public works increased by $282,625 or 12%, which is mainly attributable to greater professional service fees, depreciation costs, and nonrecurring parts maintenance in the current year. Development services increased by $47,274 or 11% primarily due to greater personnel costs, related to general wage increases in the current year. Interest and fiscal charges decreased $37,725 or 11% due to long-term debt approaching maturity in the current year. All other expenses remained relatively stable when compared to the previous year.

Business-type activities are shown comparing operating costs to revenues generated by related services.



For the year ended September 30, 2025, charges for services by business-type activities totaled $8,088,531. This is a slight increase of $8,979 or less than 1%, from the previous year. Grants and contributions decreased by $1,237,974 or 41% due to nonrecurring ARPA grants recognized in the prior year. Investment income decreased by $119,513 or 17% primarily due to cash funding drawdown for water tower project.

Total expenses increased slightly by $271,054 or 4% to a total of $6,492,612, which is considered minimal.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

At September 30, 2025, the City's governmental funds reported combined fund balances of $29,374,459, an increase of $3,351,981 in comparison with the prior year. Approximately 39% of this amount $11,533,595 constitutes *unassigned fund balance,* which is available for spending at the government's discretion. The remainder of the fund balance is *restricted or nonspendable*.

As of the end of the year the general fund reflected a total fund balance of $17,490,273. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. The total fund balance of the general fund equates to 219% of total general fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of $11,533,595 is 144% of total general fund expenditures. The general fund increased by $2,871,814 compared to the prior year. This increase is mainly attributed to revenues exceeding current year expenditures combined with fund transfers received from other funds.

The debt service fund had an ending fund balance of $1,795,840 at September 30, 2025, an increase of $69,053 when compared to the prior year. The increase is primarily due to property tax revenues exceeding debt service expenditures in the current year. Principal payments amounted to $985,000 in the current year.

The capital improvement fund ending fund balance is $9,871,086, an increase of $353,038 when compared to the prior year. During the year, the City expended $642,068 on various projects during the year from this fund. The fund balance increase is primarily due to grant proceeds combined with fund transfers from other funds received in the current year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the utility fund totaled $39,591,887. Unrestricted net position of the enterprise fund at the close of the fiscal year amounted to $14,136,611. Total net position increased $3,544,186. The fund had an investment in capital assets, net of related debt of $24,183,637. The City operates and maintains a water and sewer distribution system with force mains and lift stations. The City has seven water storage facilities with a total capacity of approximately 3.2 million gallons. The following are additional comments regarding operations of the enterprise fund:

- Charges for services were $8,088,531 for the fiscal year, this represents an increase of $8,979 from the previous year.
- Operational expenses excluding depreciation and amortization were $5,488,184.
- Cash and cash equivalents (including restricted cash) in the utility fund were $14,666,975 at fiscal year end.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were several budget amendments approved during the fiscal year, and increased budgeted expenditures by $2,348,121. The amendments also increased budgeted revenues by $689,082. Amendments were made to account for unplanned revenues and revised estimates for several expenditure categories. The following are additional comments regarding appropriations:

- There was a total positive variance of $419,200 in final budgeted revenue compared to actual.
- $4,479,498 is the surplus of revenues over expenditures before transfers.

- There was a net positive overall variance in fund balance of $4,552,458.
- Significant amendments include an increase of $2,191,292 in capital outlay expenditures for the purchase of infrastructure and building improvements.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested $45,759,985 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested $28,369,874 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure. The City's total net investment in capital assets increased by $5,679,321, net of depreciation.

Major capital asset events during the current year include the following:

- Installation of new playground for $145,429.
- Received capital contributions for Dean Farms and Enchanted Creek improvements totaling $5,333,078.
- Installed multiple culverts totaling $211,273.
- Purchased public safety equipment totaling $92,869.
- Purchased a Chevy Tahoe for $89,461.
- Continued utility work on McGarity Lane for $97,380.
- Continued construction on Lucas Road for $438,150.
- Began work on the fire department accessory building for $262,445.
- Installed a elevated water tower for $1,079,378.
- Upgraded the AMI Meter System for $599,925.
- Installed a pump well for $124,922.

More detailed information about the City's capital assets is presented in note IV. D to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total debt obligations of $16,586,494, including premiums. Of this amount, $4,220,150 is self-supporting through revenues collected from the rates of the City's utility fund. All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following known factors were considered in preparing the City's operating budget for FY 2025-2026:

- This budget will raise more total property taxes than last year's budget by $679,869 or 13.3%, and of that amount, $203,600 is tax revenue to be raised from new property added to the tax roll.
- The approved budget for all funds for FY 2025-2026 reflects total anticipated revenues of $20,615,421 and total anticipated expenditures of $20,369,917.
- The City tax rate is set each fall and is enacted via ordinance. The rate for fiscal year 2025-2026 was enacted by Ordinance #2025-08-01022 and is set to $0.255463 cents per $100 of valuation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 665 Country Club Rd., Lucas, Texas 75002 or call (972) 727-8999.

FINANCIAL STATEMENTS

City of Lucas, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2025

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
Assets			
Current assets:			
Cash and cash equivalents	$ 12,163,485	$ 12,057,327	$ 24,220,812
Restricted cash	25,645,927	2,609,648	28,255,575
Receivables, net	783,797	1,331,118	2,114,915
Lease receivable, current	63,841	-	63,841
Prepaids	4,194	879	5,073
Total Current Assets	38,661,244	15,998,972	54,660,216
Lease receivable, long-term	718,537	-	718,537
Capital assets:			
Non-depreciable	3,496,965	6,252,610	9,749,575
Net depreciable capital assets	42,263,020	22,117,264	64,380,284
	46,478,522	28,369,874	74,848,396
Total Assets	85,139,766	44,368,846	129,508,612
Deferred Outflows of Resources			
Pension outflows	591,719	129,890	721,609
OPEB outflows	511	1,011	1,522
Total Deferred Outflows of Resources	592,230	130,901	723,131

City of Lucas, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	1,167,149	104,873	1,272,022
Unearned revenue	7,937,865	-	7,937,865
Accrued interest payable	57,628	20,120	77,748
Customer deposits	41,400	293,025	334,425
Compensated absences, current	155,560	31,798	187,358
Long term debt due within one year	1,015,000	445,000	1,460,000
	10,374,602	894,816	11,269,418
Noncurrent liabilities:			
Long-term debt due in more than one year	11,351,344	3,775,150	15,126,494
Compensated absences, noncurrent	51,852	10,597	62,449
Net pension liability	817,884	179,535	997,419
OPEB liability	52,736	11,576	64,312
Total Liabilities	22,648,418	4,871,674	27,520,092
Deferred Inflows of Resources			
Pension inflows	144,980	31,824	176,804
OPEB inflows	19,872	4,362	24,234
Lease related	782,378	-	782,378
Total Deferred Inflows of Resources	947,230	36,186	983,416
Net Position			
Net investment in capital assets	39,822,067	24,183,637	64,005,704
Restricted for:			
Impact fees	1,754,061	-	1,754,061
Debt service	1,795,840	445,000	2,240,840
Capital projects	2,984,674	826,639	3,811,313
Public safety	106,685	-	106,685
Municipal court	117,750	-	117,750
Fire protection	233,690	-	233,690
Cable fees	44,328	-	44,328
Street maintenance (Brockdale)	31,464	-	31,464
Street maintenance (other)	1,005,584	-	1,005,584
Capital outlay (building improvements)	478,454	-	478,454
Unrestricted	13,761,751	14,136,611	27,898,362
Total Net Position	$ 62,136,348	$ 39,591,887	$ 101,728,235

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions
Primary Government			
Governmental Activities			
General government	$ 1,509,040	$ -	$ -
Public safety	4,546,921	944,490	-
Public works	2,726,226	269,611	3,921,277
Parks and recreation	245,434	-	-
Development services	493,278	517,682	-
Interest expense	298,191	-	-
Total Governmental Activities	9,819,090	1,731,783	3,921,277
Business-Type Activities			
Utility fund	6,492,612	8,088,531	1,762,321
Total Business-Type Activities	6,492,612	8,088,531	1,762,321
Total Primary Government	$ 16,311,702	$ 9,820,314	5,683,598

General Revenues:	
Taxes	
Property taxes	
Sales taxes	
Franchise and local taxes	
Investment income	
Other revenues	
Transfers	
Total General Revenues and Transfers	
Change in Net Position	
Beginning Net Position, as previously presented	
Correction - GASB 101	
Beginning Net Position, as adjusted	
Ending Net Position	

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (1,509,040)	$ -	$ (1,509,040)
(3,602,431)	-	(3,602,431)
1,464,662	-	1,464,662
(245,434)	-	(245,434)
24,404	-	24,404
(298,191)	-	(298,191)
(4,166,030)	-	(4,166,030)
-	3,358,240	3,358,240
-	3,358,240	3,358,240
(4,166,030)	3,358,240	(807,790)
5,852,041	-	5,852,041
2,902,063	-	2,902,063
530,571	-	530,571
1,379,320	579,546	1,958,866
212,590	-	212,590
393,600	(393,600)	-
11,270,185	185,946	11,456,131
7,104,155	3,544,186	10,648,341
55,057,509	36,058,876	91,116,385
(25,316)	(11,175)	(36,491)
55,032,193	36,047,701	91,079,894
$ 62,136,348	$ 39,591,887	$ 101,728,235

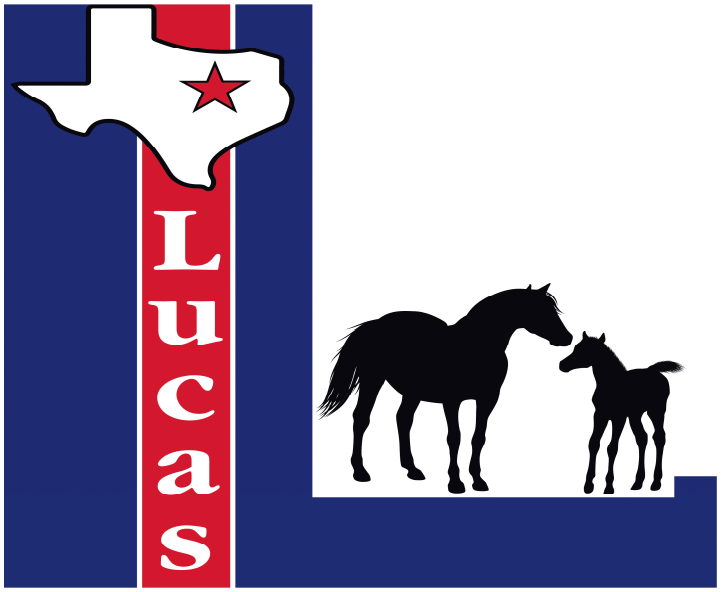
City of Lucas, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2025

	General	Debt Service	Capital Improvement	Nonmajor Lucas Fire District
Assets				
Cash and cash equivalents	$ 12,078,574	$ -	$ -	$ 84,911
Receivables, net	1,417,039	16,787	-	132,349
Cash and cash equivalents - restricted	5,956,029	1,795,840	17,894,058	-
Prepaids	4,194	-	-	-
Total Assets	$ 19,455,836	$ 1,812,627	$ 17,894,058	$ 217,260
Liabilities				
Accounts payable and accrued liabilities	$ 322,377	$ -	$ 844,772	$ -
Unearned revenue	759,665	-	7,178,200	-
Customer deposits	41,400	-	-	-
Total Liabilities	1,123,442	-	8,022,972	-
Deferred Inflows of Resources				
Unavailable revenue -				
Property taxes	59,743	16,787	-	-
Lease related	782,378	-	-	-
Total Deferred Inflows	842,121	16,787	-	-
Fund Balances				
Nonspendable:				
Prepaids	4,194	-	-	-
Restricted for:				
Impact fees	1,754,061	-	-	-
Debt service	-	1,795,840	-	-
Capital improvements	-	-	9,871,086	-
Public safety	106,685	-	-	-
Municipal court	117,750	-	-	-
Fire protection	16,430	-	-	217,260
Cable fees	44,328	-	-	-
Street maintenance (Brockdale)	31,464	-	-	-
Street maintenance (Other)	1,005,584	-	-	-
Capital outlay (Building improv.)	478,454	-	-	-
Committed for:				
Capital outlay (Blondy Jhune)	5,600	-	-	-
Capital outlay (Trinity Trail)	372,962	-	-	-
Capital outlay (Other)	2,019,166	-	-	-
Unassigned	11,533,595	-	-	-
Total Fund Balances	17,490,273	1,795,840	9,871,086	217,260
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 19,455,836	$ 1,812,627	$ 17,894,058	$ 217,260

See Notes to Financial Statements.

	Total Governmental Funds
$	12,163,485
	1,566,175
	25,645,927
	4,194
$	39,379,781
$	1,167,149
	7,937,865
	41,400
	9,146,414
	76,530
	782,378
	858,908
	4,194
	1,754,061
	1,795,840
	9,871,086
	106,685
	117,750
	233,690
	44,328
	31,464
	1,005,584
	478,454
	5,600
	372,962
	2,019,166
	11,533,595
	29,374,459
$	39,379,781


Lucas

City of Lucas, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
September 30, 2025

Fund Balances - Total Governmental Funds	$	29,374,459
Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		3,496,965
Capital assets - net depreciable		42,263,020
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		76,530
Deferred outflows (inflows) of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow (inflow) of resources (expense/expenditure) until then.		
Pension outflows		591,719
OPEB outflows		511
Pension inflows		(144,980)
OPEB inflows		(19,872)
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(57,628)
Bond premium		(596,344)
Non-current liabilities due in one year		(1,015,000)
Non-current liabilities due in more than one year		(10,755,000)
Compensated absences		(207,412)
Net pension liability - TMRS		(817,884)
OPEB liability - TMRS		(52,736)
Net Position of Governmental Activities	$	62,136,348

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2025

	General	Debt Service	Capital Improvement	Nonmajor Lucas Fire District
Revenues				
Property tax	$ 4,495,932	$ 1,321,098	$ -	$ -
Sales tax	2,182,741	-	-	719,322
Franchise and local taxes	530,571	-	-	-
Licenses and permits	360,981	-	-	-
Impact fees	269,611	-	-	-
Fire department agreements	943,159	-	-	-
Grants and contributions	-	-	350,520	-
Fines and forfeitures	158,032	-	-	-
Investment income	820,797	101,963	440,669	15,891
Other revenue	236,970	-	-	-
Total Revenues	9,998,794	1,423,061	791,189	735,213
Expenditures				
Current:				
General government	1,410,644	-	-	-
Public safety	4,158,388	-	-	-
Public works	1,014,029	-	-	-
Development services	494,252	-	-	-
Parks and recreation	208,662	-	-	-
Debt Service:				
Principal	-	985,000	-	-
Interest	-	369,008	-	-
Capital outlay	718,713	-	642,068	-
Total Expenditures	8,004,688	1,354,008	642,068	-
Revenues Over (Under) Expenditures	1,994,106	69,053	149,121	735,213
Other Financing Sources (Uses)				
Transfers in	1,070,737	-	203,917	-
Transfers (out)	(203,917)	-	-	(677,137)
Sale of capital assets	10,888	-	-	-
Total Other Financing Sources (Uses)	877,708	-	203,917	(677,137)
Net Change in Fund Balances	2,871,814	69,053	353,038	58,076
Beginning fund balances	14,618,459	1,726,787	9,518,048	159,184
Ending Fund Balances	$ 17,490,273	$ 1,795,840	$ 9,871,086	$ 217,260

See Notes to Financial Statements.

Total Governmental Funds
$ 5,817,030
2,902,063
530,571
360,981
269,611
943,159
350,520
158,032
1,379,320
236,970
12,948,257
1,410,644
4,158,388
1,014,029
494,252
208,662
985,000
369,008
1,360,781
10,000,764
2,947,493
1,274,654
(881,054)
10,888
404,488
3,351,981
26,022,478
$ 29,374,459

Lucas

City of Lucas, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	$	3,351,981
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		1,360,780
Capital contributions		3,570,757
Depreciation expense		(2,134,439)
The net effect of capital asset disposals during the current year.		(35,268)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		35,011
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(38,296)
Accrued interest		6,941
Pension expense		(55,609)
OPEB expense		(6,579)
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Amortization of debt premium		63,876
Debt payments		985,000
Change in Net Position of Governmental Activities	$	7,104,155

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

PROPRIETARY FUND

September 30, 2025

		Utility
Assets		
Current Assets		
Cash and cash equivalents		$ 12,057,327
Restricted cash		2,609,648
Receivables, net		1,331,118
Prepaids		879
	Total Current Assets	15,998,972
Noncurrent Assets		
Capital assets:		
Non-depreciable		6,252,610
Net depreciable capital assets		22,117,264
	Total Noncurrent Assets	28,369,874
	Total Assets	44,368,846
Deferred Outflows of Resources		
Pension outflows		129,890
OPEB outflows		1,011
	Total Deferred Outflows of Resources	130,901

City of Lucas, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

PROPRIETARY FUND

September 30, 2025

		Utility
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities		$ 104,873
Accrued interest		20,120
Customer deposits		293,025
Compensated absences, current		31,798
Current portion of long term debt		445,000
	Total Current Liabilities	894,816
Noncurrent Liabilities		
Noncurrent portion of long term debt		3,775,150
Compensated absences, noncurrent		10,597
Net pension liability		179,535
OPEB liability		11,576
	Total Liabilities	4,871,674
Deferred Inflows of Resources		
Pension inflows		31,824
OPEB inflows		4,362
	Total Deferred Inflows of Resources	36,186
Net Position		
Net investment in capital assets		24,183,637
Restricted for:		
Debt service		445,000
Capital projects (impact fees)		826,639
Unrestricted		14,136,611
	Total Net Position	$ 39,591,887

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended September 30, 2025

	Utility
Operating Revenues	
Charges for services	$ 7,850,603
Impact fees	237,575
Other revenue	353
Total Operating Revenues	8,088,531
Operating Expenses	
Personnel	985,651
Contractual services	3,314,963
Trash services	858,983
Supplies and materials	39,218
Maintenance and repair	289,369
Depreciation	867,379
Total Operating Expenses	6,355,563
Operating Income	1,732,968
Non-Operating Revenues (Expenses)	
Gain (loss) on disposal of capital assets	(34,059)
Investment income	579,546
Interest expense	(102,990)
Total Non-Operating Revenues (Expenses)	442,497
Income Before Capital Contributions and Transfers	2,175,465
Contributed capital	1,762,321
Transfers (out)	(393,600)
Change in Net Position	3,544,186
Beginning net position, as previously presented	36,058,876
Correction - GASB 101	(11,175)
Beginning net position, as adjusted	36,047,701
Ending Net Position	$ 39,591,887

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 1 of 2)

For the Year Ended September 30, 2025

		Utility
Cash Flows from Operating Activities		
Receipts from customers	$	8,301,981
Payments to suppliers		(4,567,932)
Payments to employees		(968,914)
Net Cash Provided by (Used for) Operating Activities		2,765,135
Cash Flows from Noncapital Financing Activities		
Transfer (out)		(393,600)
Net Cash (Used for) Noncapital Financing Activities		(393,600)
Cash Flows from Capital and Related Financing Activities		
Capital purchases		(2,056,609)
Principal paid on debt		(430,000)
Interest paid on debt		(129,700)
Net Cash (Used for) Capital and Related Financing Activities		(2,616,309)
Cash Flows from Investing Activities		
Interest on investments		579,546
Net Cash Provided by (Used for) Investing Activities		579,546
Net Increase in Cash and Cash Equivalents		334,772
Beginning cash and cash equivalents		14,332,203
Ending Cash and Cash Equivalents	$	14,666,975

See Notes to Financial Statements.

City of Lucas, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2025

		Utility
Reconciliation of Operating Income		
to Net Cash Provided by Operating Activities		
Operating Income	$	1,732,968
Adjustments to reconcile operating		
income to net cash provided:		
Depreciation		867,379
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable		213,562
Prepaids		1,488
Increase (Decrease) in:		
Accounts payable and accrued liabilities		(65,399)
Compensated absences		3,984
Customer deposits		(1,600)
Deferred outflows - pension		12,024
Deferred outflows - OPEB		114
Deferred inflows - pension		20,646
Deferred inflows - OPEB		399
Net pension liability		(20,464)
OPEB liability		34
Net Cash Provided by Operating Activities	$	2,765,135
Schedule of Non-cash Capital and Related Financing Activities:		
Capital contributions	$	1,762,321

See Notes to Financial Statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Lucas, Texas (the "City") is a municipal corporation of the State, duly organized and existing under the laws of the State of Texas including the City's Home Rule Charter. The City was incorporated in 1959, and first adopted its Home Rule Charter in September 2008. The City operates under a Council/Manager form of government with a City Council composed of the Mayor and six-member Council. The City provides the following services as authorized by its charter: public safety, public works, sanitation, water and sanitary sewer utilities, culture-recreation, planning and zoning, and general administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Lucas Fire District, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Unit

Lucas Fire District

The City created the Lucas Fire District in January 2014 to fund and improve fire control, prevention, and emergency medical service within the City's limits. The creation of this district allows the City to collect extra sales tax that is restricted for this purpose. Currently,

the City's Mayor and Council serve as directors of this district and there is a financial benefit/burden with the City.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, culture and recreation, community development, and nondepartmental. This fund is considered to be a major fund.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. This fund is considered to be a major fund.

Capital Improvements Fund

The capital projects fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds. This fund is considered to be a major fund.

Lucas Fire District Fund

The fund accounts for the activity of the aforementioned Lucas Fire District. This fund is a non-major fund.

The government reports the following major enterprise fund:

Utility Fund

This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

D. Assets, Liabilities, and Fund Equity or Net Position

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool and LOGIC, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

Direct obligations of the U.S. Government, State of Texas and agencies thereof
Fully collateralized certificates of deposit and money market accounts
Statewide investment pools

2. Fair Value Measurement

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances

outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized (the consumption method).

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, works of art and similar items and capital assets received in a service concession arrangement are recorded at acquisition value rather than fair value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Vehicles	5 to 10 years
Machinery and equipment	5 to 10 years
Infrastructure	5 to 30 years
Buildings and improvements	25 years

6. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the fund.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The government has adopted a policy to maintain a minimum reserve of an amount equal to or greater than 50% of operating expenditures in the general and utility funds.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

10. Leases

Lessor: The City is a lessor for a noncancellable lease of multiple cell towers. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

11. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position and additions to/deductions from Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee,

which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is $7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

E. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific

approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

3. Compensated Absences

City employees earn vacation and sick leave, which may either be taken or accumulated, up to certain amounts, until retirement or termination. There is no liability for unpaid accumulated sick leave when employees separate from service with the City. All vacation and qualifying sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, capital improvements, Lucas Fire District, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The City Manager makes final decisions and submits a recommended budget to City Council. The proposed budget is reviewed extensively by City Council, a process that includes a required public hearing, in addition to a budget workshop which is open to the public. The City Charter requires adoption of the City budget no later than September 30th of each fiscal year.

The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line-item activity for management control. Budgeted amounts are as originally adopted, or as legally amended. The City Council must amend the budget by passing a budget appropriation ordinance. For the year ended September 30, 2025, appropriations exceeded expenditures at the legal level of control for all funds. Several supplemental budget appropriations were made during the year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As stated in I.D.1., the City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. The City's investments in 2a7-like pools such as TexPool are included in this category. Although the City's investments in TexPool, LOGIC, and Lone

Star are available for immediate withdrawal, disclosure of the pool's weighted average maturity and bond rating are required. The City had the following investments at year end:

Investment Type	Value	Weighted Average Maturity (Days)	Credit Rating
External investment pools			
TexPool	$ 1,753,984	44	AAAm
LOGIC	37,548,999	52	AAAm
Lone Star	3,287,402	23	AAAm
Total value	$ 42,590,385		
Total portfolio		45	

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2025, the City's investment in TexPool, LOGIC, and the Lone Star Investment Pool were rated AAAm by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2025, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus

payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

LOGIC

LOGIC is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created in April 1994 through a contract among its participating governmental units, and is governed by a board of directors (the board) to provide for the joint investments of participant's public funds and funds under their control. LOGIC's policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. Standard & Poor's rates Local Government Investment Cooperative (LOGIC) 'AAAm'. This is Standard & Poor's highest principal stability fund rating and is based on an analysis of the pool's investment portfolio and guidelines, market price exposure, and management. The rating demonstrates that the pool has an extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit risk. LOGIC has a conservative investment policy and invests in only authorized investments under the Texas Public Funds Investment Act. To ensure an accurate and current rating, Standard & Poor's monitors pertinent pool information, including the fund's portfolio holdings, on a weekly basis. There were no limitations or restrictions on withdrawals.

Lone Star Investment Pool

The Lone Star Investment Pool limits investments only to those allowed by the Public Funds Investment Act. The Lone Star fund has earned Standard & Poor's highest rating (AAA), which meets the standards set by the Public Funds Investment Act. There were no limitations or restrictions on withdrawals.

A. Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are remeasured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City’s financial instruments consist of cash and cash equivalents, investments in certificates of deposits maturing in greater than three months, and accounts receivable. The estimated fair value of cash, cash equivalents, investments, and accounts receivable approximate their carrying amounts due to the short-term nature of these instruments.

At September 30, 2025, there were no assets reported at fair value.

B. Receivables

1. The following comprise receivable balances of the primary government at year end:

	General	Debt Service	Nonmajor	Governmental Activities Total
Property taxes	$ 56,198	$ 16,787	$ -	$ 72,985
Sales tax	400,925	-	132,349	533,274
Franchise taxes	177,538	-	-	177,538
Notes receivable	782,378	-	-	782,378
Total	$ 1,417,039	$ 16,787	$ 132,349	$ 1,566,175

	Utility	Business-Type Activities Total
Trash	$ 79,850	$ 79,850
Wastewater	8,606	8,606
Utility	446,450	446,450
Accounts	801,869	801,869
Allowance	(5,657)	(5,657)
Total	$ 1,331,118	$ 1,331,118

2. The City is the lessor of a contract in which the City receives lease payments from multiple cellular providers for the lease of cell towers. The leases commenced in July 2005, June 2014, and March 2014 with an initial five-year term with automatic renewal periods. Monthly lease payments ranging from $1,000 to $2,300 per month will be paid through September 30, 2025. As of September 30, 2025, the lease receivable and offsetting deferred inflows amounted to $782,378, respectively.

   The annual principal and interest payments to be received are as follows:

Year ending September 30,	Governmental Activities Principal	Interest (4%)
2026	$ 63,841	$ 30,133
2027	66,442	27,532
2028	69,149	24,825
2029	73,928	22,000
2030	79,793	18,859
Thereafter	429,225	67,121
	$ 782,378	$ 190,470

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 916,447	$ -	$ -	$ 916,447
Construction in progress	1,784,170	796,348	-	2,580,518
Total capital assets not being depreciated	2,700,617	796,348	-	3,496,965
Capital assets, being depreciated:				
Buildings and improvements	5,798,287	154,029	(82,983)	5,869,333
Furniture and equipment	2,295,322	92,869	68,383	2,456,574
Vehicles	3,166,741	89,461	(173,683)	3,082,519
Infrastructure	44,591,962	3,798,830	-	48,390,792
Total capital assets being depreciated	55,852,312	4,135,189	(188,283)	59,799,218
Less accumulated depreciation				
Buildings and improvements	(1,666,820)	(169,211)	47,715	(1,788,316)
Furniture and equipment	(1,535,106)	(233,545)	-	(1,768,651)
Vehicles	(1,921,012)	(177,727)	105,300	(1,993,439)
Infrastructure	(10,431,836)	(1,553,956)	-	(11,985,792)
Total accumulated depreciation	(15,554,774)	(2,134,439)	153,015	(17,536,198)
Net capital assets being depreciated	40,297,538	2,000,750	(35,268)	42,263,020
Total Capital Assets	$ 42,998,155	$ 2,797,098	$ (35,268)	$ 45,759,985

Depreciation was charged to governmental functions as follows:

General government	$ 64,827
Public safety	327,268
Public works	1,705,572
Parks and recreation	36,772
Total Governmental Activities Depreciation Expense	$ 2,134,439

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 378,256	$ -	$ -	$ 378,256
Construction in progress	3,943,524	1,930,830	-	5,874,354
Total capital assets not being depreciated	4,321,780	1,930,830	-	6,252,610
Capital assets, being depreciated:				
Buildings and improvements	713,389	-	-	713,389
Infrastructure	29,080,279	1,859,700	(40,070)	30,899,909
Furniture and equipment	1,507,812	28,400	-	1,536,212
Vehicles	33,689	-	(33,689)	-
Total capital assets being depreciated	31,335,169	1,888,100	(73,759)	33,149,510
Less accumulated depreciation				
Buildings and improvements	(390,339)	(13,090)	-	(403,429)
Infrastructure	(8,782,782)	(710,965)	6,011	(9,487,736)
Furniture and equipment	(997,757)	(143,324)	-	(1,141,081)
Vehicles	(33,689)	-	33,689	-
Total accumulated depreciation	(10,204,567)	(867,379)	39,700	(11,032,246)
Net capital assets being depreciated	21,130,602	1,020,721	(34,059)	22,117,264
Total Capital Assets	$ 25,452,382	$ 2,951,551	$ (34,059)	$ 28,369,874

Depreciation was charged to business-type activities as follows:

Utility	$ 867,379
Total Business-Type Activities Depreciation Expense	$ 867,379

D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	$ 1,280,000	$ -	$ (170,000)	$ 1,110,000	$ 170,000
Certificates of Obligation	11,475,000	-	(815,000)	10,660,000	845,000
Premium	660,220	-	(63,876)	596,344	-
Total Governmental Activities	$ 13,415,220	$ -	$ (1,048,876)	$ 12,366,344	$ 1,015,000
Long-term liabilities due in more than one year				$ 11,351,344	
Business-Type Activities:					
Bonds, notes and other payables:					
General Obligation Bonds	$ 860,000	$ -	$ (110,000)	$ 750,000	$ 120,000
Certificates of Obligation	3,595,000	-	(320,000)	3,275,000	325,000
Premium	219,067	-	(23,917)	195,150	-
Total Business-Type Activities	$ 4,674,067	$ -	$ (453,917)	$ 4,220,150	$ 445,000
Long-term liabilities due in more than one year				$ 3,775,150	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The business-type long-term debt will be repaid, plus accrued interest, from operating revenues of the water and sewer fund.

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities:			
2007 Certificates of obligation	4.25%	$ 2,500,000	$ 200,000
2015 Certificates of obligation	3.00%	2,000,000	750,000
2017 Certificates of obligation	3.00%	5,855,000	3,920,000
2019 Certificates of obligation	2.00% - 5.00%	7,215,000	5,790,000
2020 General obligation refunding bonds	2.00% - 4.00%	1,745,000	1,110,000
	Total Governmental Activities	19,315,000	11,770,000
Business-type Activities:			
2007 Certificates of obligation	4.25%	$ 2,500,000	$ 250,000
2017 Certificates of obligation	3.00%	2,920,000	1,955,000
2019 Certificates of obligation	2.00% - 5.00%	1,390,000	1,070,000
2020 General obligation refunding bonds	2.00% - 4.00%	1,165,000	750,000
	Total Business-Type Activities	$ 7,975,000	$ 4,025,000
Total Long-Term Debt			
2007 Certificates of obligation	4.25%	$ 5,000,000	$ 450,000
2015 Certificates of obligation	3.00%	2,000,000	750,000
2017 Certificates of obligation	3.00%	8,775,000	5,875,000
2019 Certificates of obligation	2.00% - 5.00%	8,605,000	6,860,000
2020 General obligation refunding bonds	2.00% - 4.00%	2,910,000	1,860,000
	Total	$ 27,290,000	$ 15,795,000

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Governmental Activities

Year ending	General Obligation Bonds		Certificates of Obligation	
September 30,	Principal	Interest	Principal	Interest
2026	$ 170,000	$ 27,900	$ 845,000	$ 302,408
2027	175,000	24,450	880,000	268,483
2028	180,000	19,100	810,000	235,358
2029	190,000	11,700	835,000	208,933
2030	195,000	5,950	860,000	186,383
2031-2035	200,000	2,000	3,000,000	537,180
2036-2039	-	-	3,430,000	203,875
Total	$ 1,110,000	$ 91,100	$ 10,660,000	$ 1,942,620

The annual requirements to amortize business-type activities debt issues outstanding at year ending were as follows:

Business-Type Activities

Year ending	General Obligation Bonds		Certificates of Obligation	
September 30,	Principal	Interest	Principal	Interest
2026	$ 120,000	$ 18,700	$ 325,000	$ 94,561
2027	120,000	16,300	330,000	81,924
2028	120,000	12,700	215,000	71,618
2029	125,000	7,800	220,000	64,742
2030	130,000	4,000	225,000	58,593
2031-2035	135,000	1,350	975,000	167,058
2036-2039	-	-	985,000	53,783
Total	$ 750,000	$ 60,850	$ 3,275,000	$ 592,279

E. Other Long-term Liabilities

The following summarizes the changes in other long-term liabilities of the primary government during the year.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	$ 169,116	$ 38,296	$ -	$ 207,412	$ 155,560
Total Governmental Activities	$ 169,116	$ 38,296	$ -	$ 207,412	$ 155,560
Long-term Liabilities Due in More than One Year				$ 51,852	
Business-Type Activities:					
Compensated Absences	$ 38,411	$ 3,984	$ -	$ 42,395	$ 31,798
Total Business-Type Activities	$ 38,411	$ 3,984	$ -	$ 42,395	$ 31,798
Long-term Liabilities Due in More than One Year				$ 10,597	

The general fund has typically been used to liquidate the liability for compensated absences for governmental activities. The utility fund is used to liquidate the liability for compensated absences for business-type activities.

F. Unearned Revenue

On May 29, 2024, the Advance Payment Agreement for a project using funds from the State Highway 121 Subaccount went into effect. This agreement allows the State to use surplus toll project revenue for transportation, highway, or air quality projects within the Texas Department of Transportation district. As part of this agreement, the City of Lucas requested funds from the SH 121 Subaccount for preliminary engineering, plans, specifications, estimates, and the reconstruction of West Lucas Road. The project involves upgrading the road from a 2-lane undivided roadway to a 4-lane divided roadway, stretching from Country Club (FM1378) to Angel Parkway (FM2551). The City received an advance payment of $7,600,000, which has been recorded as unearned revenue in the governmental funds. Of this amount, $7,178,200 remains unearned in the capital improvement fund as of year end. Additionally, the general fund recognized $759,665 of unearned revenue related to a fire services contract.

G. Interfund Transactions

Transfers between the primary government funds during the 2025 year were as follows:

	Transfers (Out):			
Transfers In:	**General**	**Nonmajor Govt.**	**Utility**	**Total**
General	$ -	$ 677,137	$ 393,600	$ 1,070,737
Capital improvements	203,917	-	-	203,917
Total	$ 203,917	$ 677,137	$ 393,600	$ 1,274,654

Interfund balances resulted from the timing difference between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All balances are expected to be paid in the subsequent year.

H. Restricted Net Position

The City records restricted net position to indicate that a portion is legally restricted for a specific future use.

The following is a list of restricted fund balance/net position of the City:

	Governmental Funds	**Governmental Activities**	**Business-Type Activities**
Restricted for:			
Impact fees	$ 1,754,061	$ 1,754,061	$ -
Debt service	1,795,840	1,795,840	445,000
Capital improvements	9,871,086	2,984,674	826,639
* Public safety	106,685	106,685	-
* Fire protection	233,690	233,690	-
* Cable fees	44,328	44,328	-
Municipal court	117,750	117,750	-
Street maintenance (Brockdale)	31,464	31,464	-
Street maintenance (other)	1,005,584	1,005,584	-
Capital outlay (Other)	478,454	478,454	-
Total Restricted Net Position/Fund Balance	$ 15,438,942	$ 8,552,530	$ 1,271,639

* Restricted by enabling legislation

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,700 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

GASB 62 defines probability of loss contingencies as the following:

Probable. The future event or events are likely to occur.
Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.
Remote. The chance of the future event or events occurring is slight.

Liabilities are recorded when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

At year end there was no litigation that was required to be recorded.

C. Pension Plans

Texas Municipal Retirement Systems

1. Plan Description

The City of Lucas participates as one of 938 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement

System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2023	Plan Year 2024
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees covered by benefit terms

At the December 31, 2024 and 2023 valuation and measurement date, the following employees were covered by the benefit terms:

	2024	2023
Inactive employees or beneficiaries currently receiving benefits	25	24
Inactive employees entitled to but not yet receiving benefits	31	29
Active employees	42	44
Total	98	97

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Lucas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Lucas were 12.20% and 13.16% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $522,899, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel, Roeder, Smith & Company (GRS) focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	6.7%
Core Fixed Income	6.0%	4.7%
Non-Core Fixed Income	20.0%	8.0%
Other Public/Private Markets	12.0%	8.0%
Real Estate	12.0%	7.6%
Hedge Funds	5.0%	6.4%
Private Equity	10.0%	11.6%
Total	100.0%	

In general, the City uses the debt service fund to liquidate governmental pension and OPEB liabilities.

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$ 2,748,012	$ 997,419	$ (399,195)

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/23	$ 8,746,573	$ 7,635,465	$ 1,111,108
Changes for the year:			
Service Cost	696,645	-	696,645
Interest	607,486	-	607,486
Difference between expected and actual experience	123,700	-	123,700
Changes of assumptions	-	-	-
Contributions – employer	-	475,450	(475,450)
Contributions – employee	-	272,799	(272,799)
Net investment income	-	798,476	(798,476)
Benefit payments, including refunds of emp. contributions	(190,192)	(190,192)	-
Administrative expense	-	(5,088)	5,088
Other changes	-	(117)	117
Net changes	1,237,639	1,351,328	(113,689)
Balance at 12/31/24	$ 9,984,212	$ 8,986,793	$ 997,419

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of $590,712.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	$ 311,217	$ -
Changes in actuarial assumptions	-	(50,557)
Difference between projected and actual investment earnings	-	(126,247)
Contributions subsequent to the measurement date	410,392	-
Total	$ 721,609	$ (176,804)

The City reported $410,392 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2025	$ 79,892
2026	154,673
2027	(61,958)
2028	(38,194)
2029	-
Thereafter	-
Total	$ 134,413

Other Postemployment Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the

12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City offers supplemental death to:	Plan Year 2024	Plan Year 2023
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Employees covered by benefit terms

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	4
Active employees	42
Total	53

The City's contributions to the TMRS SDBF for the years ended 2025 and 2024 were $808 and $774, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2023	0.02%	0.02%	100.0%
2024	0.02%	0.02%	100.0%
2025	0.02%	0.02%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2024, and the Total OPEB Liability was determined by an actuarial valuation as of that date. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85%, including inflation per year
Discount rate	4.08%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by the most recent Scale MP=2021 (with immediate convergence) to account for future mortality improvements subject to the 3.5% and 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.08%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.08%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current rate:

1% Decrease (3.08%)	Current Single Rate Assumption 4.08%	1% Increase (5.08%)
$ 77,076	$ 64,312	$ 54,168

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/23	$ 64,123
Changes for the year:	
Service Cost	4,660
Interest	2,491
Difference between expected and actual experience	(2,486)
Changes of assumptions	(3,699)
Benefit payments	(777)
Net changes	189
Balance at 12/31/24	$ 64,312

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of $3,177.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual economic experience	$ -	$ (12,555)
Difference between projected and actual investment earnings	-	(11,679)
Contributions subsequent to measurement date	1,522	-
Total	$ 1,522	$ (24,234)

The City reported $1,522 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2026.

Other amounts reported as deferred outflows and inflows of resources related to OEPB will be recognized in OPEB expense as follows:

Year ended December 31:		
2025	$	(4,273)
2026		(3,867)
2027		(3,393)
2028		(4,374)
2029		(4,893)
Thereafter		(3,434)
	$	(24,234)

D. New Accounting Standards

The City adopted GASB 101, *Compensated Absences* during the year. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements.

The new guidance introduces three criteria for recording a liability in financial statements prepared using the economic resources measurement focus (often referred to as a "full accrual" basis). A liability should be recognized for leave that has not been used if all of the following are true:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means (likelihood of more than 50 percent).

This standard was applied retroactively and resulted in a sick leave liability of $57,956 as of September 30, 2025.

E. Restatements

Due to the recognition of GASB 101, *Compensated Absences*, the City restated the beginning net position for governmental activities, business-type activities, and the utility fund. The restatement is summarized below:

	Governmental Activities	Business-Type Activities	Utility
Prior year ending net position/fund balance, as reported	$ 55,057,509	$ 36,058,876	$ 36,058,876
Recognition of GASB 101, compensated absences	(25,316)	(11,175)	(11,175)
Restated beginning net position/fund balance	$ 55,032,193	$ 36,047,701	$ 36,047,701

F. Subsequent Events

There were no material subsequent events through January 30, 2026, the date the financial statements were issued.

Lucas

REQUIRED SUPPLEMENTARY INFORMATION

City of Lucas, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 1 of 2)

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	$ 4,252,605	$ 4,455,265	$ 4,495,932	$ 40,667
Sales tax	1,875,400	2,050,153	2,182,741	132,588
Franchise and local taxes	444,942	522,584	530,571	7,987
Licenses and permits	500,220	313,699	360,981	47,282
Impact fees	165,000	199,000	269,611	70,611
Fire department agreements	863,134	916,284	943,159	26,875
Fines and forfeitures	65,091	149,386	158,032	8,646
Investment income	550,000	735,000	820,797	85,797
Other revenue	174,120	238,223	236,970	(1,253)
Total Revenues	8,890,512	9,579,594	9,998,794	419,200
Expenditures				
Current:				
General government				
City council	55,310	53,910	36,977	16,933
City secretary	196,919	258,594	196,892	61,702
Administrative	1,383,546	1,375,110	1,176,775	198,335
Total general government	1,635,775	1,687,614	1,410,644	276,970
Public safety				
Fire department	3,561,166	3,646,162	3,497,921	148,241
Police	700,000	767,152	660,467	106,685
Total public safety	4,261,166	4,413,314	4,158,388	254,926
Public works				
Public works	1,001,835	963,496	980,029	(16,533)
Parks and recreation	237,500	264,165	208,662	55,503
Animal control	36,000	36,000	34,000	2,000
Total public works	1,275,335	1,263,661	1,222,691	40,970
Development services	660,011	624,527	494,252	130,275
Capital outlay	1,884,578	4,075,870	718,713	3,357,157
Total Expenditures	9,716,865	12,064,986	8,004,688	4,060,298
Revenues Over (Under) Expenditures	(826,353)	(2,485,392)	1,994,106	4,479,498

City of Lucas, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND (Page 2 of 2)

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses)				
Transfers in	$ 975,549	$ 1,030,686	$ 1,070,737	$ 40,051
Transfers (out)	-	(236,326)	(203,917)	32,409
Sale of capital assets	-	10,388	10,888	500
Total Other Financing Sources (Uses)	975,549	804,748	877,708	72,960
Net Change in Fund Balance	$ 149,196	$ (1,680,644)	2,871,814	$ 4,552,458
Beginning fund balance			14,618,459	
Ending Fund Balance			$ 17,490,273	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

See Notes to Financial Statements.

City of Lucas, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	12/31/2024	12/31/2023	12/31/2022	12/31/2021
Total pension liability				
Service cost	$ 696,645	$ 635,599	$ 581,346	$ 499,230
Interest	607,486	526,110	446,150	395,760
Differences between expected and actual experience	123,700	244,691	233,187	(80,541)
Changes of assumptions	-	(85,067)	-	-
Benefit payments, including refunds of participant contributions	(190,192)	(102,358)	(104,095)	(113,873)
Net change in total pension liability	1,237,639	1,218,975	1,156,588	700,576
Total pension liability - beginning	$ 8,746,573	$ 7,527,598	$ 6,371,010	$ 5,670,434
Total pension liability - ending (a)	$ 9,984,212	$ 8,746,573	$ 7,527,598	$ 6,371,010
Plan fiduciary net position				
Contributions - employer	$ 475,450	$ 443,262	$ 415,676	$ 360,571
Contributions - members	272,799	257,924	233,338	198,896
Net investment income	798,476	734,551	(455,828)	667,999
Benefit payments, including refunds of participant contributions	(190,192)	(102,358)	(104,095)	(113,873)
Administrative expenses	(5,088)	(4,644)	(3,927)	(3,080)
Other	(117)	(32)	4,686	21
Net change in plan fiduciary net position	1,351,328	1,328,703	89,850	1,110,534
Plan fiduciary net position - beginning	7,635,465	6,306,762	6,216,912	5,106,378
Plan fiduciary net position - ending (b)	$ 8,986,793	$ 7,635,465	$ 6,306,762	$ 6,216,912
Fund's net pension liability - ending (a) - (b)	$ 997,419	$ 1,111,108	$ 1,220,836	$ 154,098
Plan fiduciary net position as a percentage of the total pension liability	90.01%	87.30%	83.78%	97.58%
Covered payroll	$ 3,883,193	$ 3,684,632	$ 3,333,405	$ 2,841,377
Fund's net position as a percentage of covered payroll	25.69%	30.16%	36.62%	5.42%

12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
$ 457,386	$ 450,025	$ 414,235	$ 372,249	$ 348,892	$ 293,557
352,881	303,275	266,265	231,198	198,270	171,059
(74,317)	33,015	(33,376)	9,721	17,647	3,953
-	70,627	-	-	-	45,337
(129,394)	(122,030)	(111,419)	(117,869)	(59,465)	(36,429)
606,556	734,912	535,705	495,299	505,344	477,477
$ 5,063,878	$ 4,328,966	$ 3,793,261	$ 3,297,962	$ 2,792,618	$ 2,315,141
$ 5,670,434	$ 5,063,878	$ 4,328,966	$ 3,793,261	$ 3,297,962	$ 2,792,618
$ 324,663	$ 326,573	$ 315,372	$ 283,883	$ 256,187	$ 229,058
181,811	178,177	164,379	144,523	134,633	116,030
334,743	539,095	(96,228)	353,005	140,372	2,608
(129,393)	(122,030)	(111,419)	(117,869)	(59,465)	(36,429)
(2,160)	(3,038)	(1,857)	(1,829)	(1,585)	(1,588)
(84)	(91)	(96)	(93)	(86)	(78)
709,580	918,686	270,151	661,620	470,056	309,601
4,396,798	3,478,112	3,207,961	2,546,341	2,076,285	1,766,684
$ 5,106,378	$ 4,396,798	$ 3,478,112	$ 3,207,961	$ 2,546,341	$ 2,076,285
$ 564,056	$ 667,080	$ 850,854	$ 585,300	$ 751,621	$ 716,333
90.05%	86.83%	80.35%	84.57%	77.21%	74.35%
$ 2,597,307	$ 2,545,390	$ 2,348,274	$ 2,064,609	$ 1,923,330	$ 1,657,575
21.72%	26.21%	36.23%	28.35%	39.08%	43.22%

City of Lucas, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022
Actuarially determined employer contributions	$ 522,899	$ 478,611	$ 448,005	$ 403,522
Contributions in relation to the actuarially determined contribution	$ 522,899	$ 478,611	$ 448,005	$ 403,522
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Annual covered payroll	$ 4,040,667	$ 3,868,902	$ 3,637,337	$ 3,222,954
Employer contributions as a percentage of covered payroll	12.94%	12.37%	12.32%	12.52%

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed.
Remaining Amortization Period	20 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate

Other Information:

Notes	There were no benefit changes during the year.

9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
$ 362,705	$ 327,779	$ 327,126	$ 306,720	$ 276,739	$ 249,286
$ 362,705	$ 327,779	$ 327,126	$ 306,720	$ 276,739	$ 249,286
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,845,105	$ 2,577,004	$ 2,517,351	$ 2,269,249	$ 2,030,750	$ 1,845,924
12.75%	12.72%	12.99%	13.52%	13.63%	13.50%

City of Lucas, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	12/31/2024	12/31/2023	12/31/2022
Total OPEB liability			
Service cost	$ 4,660	$ 4,422	$ 9,000
Interest	2,491	2,416	1,628
Differences between expected and actual experience	(2,486)	(3,275)	(3,108)
Changes of assumptions	(3,699)	3,495	(33,528)
Benefit payments, including refunds of participant contributions	(777)	(737)	(333)
Net change in total OPEB liability	189	6,321	(26,341)
Total OPEB liability - beginning	$ 64,123	$ 57,802	$ 84,143
Total OPEB liability - ending	$ 64,312	$ 64,123	$ 57,802
Covered payroll	$ 3,883,193	$ 3,684,632	$ 3,333,405
City's total OPEB liability as a percentage of covered	1.66%	1.74%	1.73%

Notes to schedule:

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

[2] No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017 [1]
$ 7,672	$ 5,714	$ 4,327	$ 4,697	$ 3,716
1,514	1,755	1,808	1,751	1,609
311	(6,467)	(3,962)	(6,318)	-
2,904	10,206	12,455	(3,855)	4,624
(284)	(260)	(255)	(235)	-
12,117	10,948	14,373	(3,960)	9,949
$ 72,026	$ 61,078	$ 46,705	$ 50,665	$ 40,716
$ 84,143	$ 72,026	$ 61,078	$ 46,705	$ 50,665 [2]
$ 2,841,377	$ 2,597,307	$ 2,545,390	$ 2,348,274	$ 2,064,609
2.96%	2.77%	2.40%	1.99%	2.45%

Lucas

OTHER SUPPLEMENTARY INFORMATION

City of Lucas, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	$ 1,163,255	$ 1,260,727	$ 1,321,098	$ 60,371
Investment income	-	90,000	101,963	11,963
Total Revenues	1,163,255	1,350,727	1,423,061	72,334
Expenditures				
Debt service				
Principal	985,000	985,000	985,000	-
Interest	369,008	369,008	369,008	-
Total Expenditures	1,354,008	1,354,008	1,354,008	-
Other Financing Sources (Uses)				
Transfers in	190,753	36,392	-	(36,392)
Total Other Financing Sources (Uses)	190,753	36,392	-	(36,392)
Net Change in Fund Balance	$ -	$ 33,111	69,053	$ 35,942
Beginning fund balance			1,726,787	
Ending Fund Balance			$ 1,795,840	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

See Notes to Financial Statements.

City of Lucas, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CAPITAL IMPROVEMENT FUND

For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental revenue	$ -	$ -	$ 350,520	$ 350,520
Interest income	330,000	390,000	440,669	50,669
Total Revenues	330,000	390,000	791,189	401,189
Expenditures				
Capital outlay	-	6,790,525	642,068	6,148,457
Total Expenditures	-	6,790,525	642,068	6,148,457
Other Financing Sources (Uses)				
Transfers in	-	236,326	203,917	(32,409)
Total Other Financing Sources (Uses)	-	236,326	203,917	(32,409)
Net Change in Fund Balance	$ 330,000	$ (6,164,199)	353,038	$ 6,517,237
Beginning fund balance			9,518,048	
Ending Fund Balance			$ 9,871,086	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

See Notes to Financial Statements.

City of Lucas, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LUCAS FIRE DISTRICT

For the Year Ended September 30, 2025

	Final Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Sales tax	$ 622,000	$ 677,137	$ 719,322	$ 42,185
Investment income	-	-	15,891	15,891
Total Revenues	622,000	677,137	735,213	58,076
Other Financing Sources (Uses)				
Transfers (out)	(622,000)	(677,137)	(677,137)	-
Total Other Financing Sources (Uses)	(622,000)	(677,137)	(677,137)	-
Net Change in Fund Balance	$ -	$ -	58,076	$ 58,076
Beginning fund balance			159,184	
Ending Fund Balance			$ 217,260	

Notes to Other Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

See Notes to Financial Statements.

STATISTICAL SECTION

This part of the City's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	**Page**
Financial Trends	100
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	110
These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.	
Debt Capacity	118
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	123
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	126
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

City of Lucas, Texas

NET POSITION BY COMPONENT

Last Ten Fiscal Years

(accrual basis of accounting)

	2016	2017	2018	2019
Governmental Activities				
Net investment in capital assets	$ 17,817,626	$ 18,969,607	$ 19,557,740	$ 20,427,592
Restricted	5,021,277	2,425,677	3,194,287	4,129,734
Unrestricted	4,034,670	7,481,154	8,127,220	8,418,373
Total Governmental Activities Net Position	$ 26,873,573	$ 28,876,438	$ 30,879,247	$ 32,975,699
Business-type Activities				
Net investment in capital assets	$ 14,112,099	$ 14,790,563	$ 15,023,072	$ 15,334,416
Restricted	375,000	436,201	555,979	668,724
Unrestricted	5,501,285	5,616,348	6,202,108	6,640,891
Total Business-type Activities Net Position	$ 19,988,384	$ 20,843,112	$ 21,781,159	$ 22,644,031
Primary Government				
Net investment in capital assets	$ 31,929,725	$ 33,760,170	$ 34,580,812	$ 35,762,008
Restricted	5,396,277	2,861,878	3,750,266	4,798,458
Unrestricted	9,535,955	13,097,502	14,329,328	15,059,264
Total Primary Government Net Position	$ 46,861,957	$ 49,719,550	$ 52,660,406	$ 55,619,730

2020	2021	2022	2023	2024	2025
$ 25,517,174	$ 28,833,419	$ 30,848,043	$ 33,757,041	$ 36,093,275	$ 39,822,067
12,176,865	6,980,910	7,748,436	9,305,004	6,643,108	8,552,530
353,761	9,189,569	9,009,052	8,573,482	12,295,810	13,761,751
$ 38,047,800	$ 45,003,898	$ 47,605,531	$ 51,635,527	$ 55,032,193	$ 62,136,348
$ 16,777,285	$ 16,878,979	$ 17,084,250	$ 18,663,845	$ 21,644,341	$ 24,183,637
939,365	1,311,170	2,484,356	1,524,786	1,118,064	1,271,639
7,207,695	7,733,829	8,685,361	10,702,489	13,285,296	14,136,611
$ 24,924,345	$ 25,923,978	$ 28,253,967	$ 30,891,120	$ 36,047,701	$ 39,591,887
$ 42,294,459	$ 45,712,398	$ 47,932,293	$ 52,420,886	$ 57,737,616	$ 64,005,704
13,116,230	8,292,080	10,232,792	10,829,790	7,761,172	9,824,169
7,561,456	16,923,398	17,694,413	19,275,971	25,581,106	27,898,362
$ 62,972,145	$ 70,927,876	$ 75,859,498	$ 82,526,647	$ 91,079,894	$ 101,728,235

City of Lucas, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2016	2017	2018	2019
Expenses				
Governmental activities:				
General government	$ 955,548	$ 961,459	$ 935,150	$ 1,096,507
Public safety	1,866,920	2,082,243	2,223,061	2,621,361
Public works	883,514	971,612	2,189,754	1,423,456
Development services	279,699	345,336	408,654	426,705
Parks and recreation	159,565	113,916	126,327	194,196
Interest and fiscal charges	263,690	373,570	392,146	535,381
Total governmental activities	4,408,936	4,848,136	6,275,092	6,297,606
Business-type activities:				
Utility fund	3,593,006	3,840,280	4,243,367	4,247,590
Total business-type activities	3,593,006	3,840,280	4,243,367	4,247,590
Total primary government	$ 8,001,942	$ 8,688,416	$ 10,518,459	$ 10,545,196
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ -	$ -	$ -	$ -
Public safety	327,745	413,588	448,607	509,862
Public works	335,163	402,068	356,940	341,597
Development services	707,807	658,708	713,554	904,825
Capital grants and contributions	196,000	37,600	-	342,372
Operating grants and contributions	2,470,277	1,824,487	126,168	-
Total governmental activities	4,036,992	3,336,451	1,645,269	2,098,656
Business-type activities:				
Charges for services:				
Water and sewer	3,879,602	4,332,497	4,403,061	5,314,349
Capital grants and contributions	1,299,604	418,089	417,020	37,419
Operating grants and contributions	-	-	-	-
Total business-type activities	5,179,206	4,750,586	4,820,081	5,351,768
Total primary government	$ 9,216,198	$ 8,087,037	$ 6,465,350	$ 7,450,424
Net (Expense)/Revenue				
Governmental activities	$ (371,944)	$ (1,511,685)	$ (4,629,823)	$ (4,198,950)
Business-type activities	1,586,200	910,306	576,714	1,104,178
Total primary government	$ 1,214,256	$ (601,379)	$ (4,053,109)	$ (3,094,772)

2020	2021	2022	2023	2024	2025
$ 1,276,560	$ 1,151,684	$ 1,210,334	$ 1,384,180	$ 1,407,314	$ 1,509,040
2,611,453	2,716,928	3,257,026	3,777,849	4,727,403	4,546,921
1,481,315	1,711,774	1,874,263	2,305,963	2,443,601	2,726,226
354,169	402,852	468,122	454,262	446,004	245,434
163,110	176,297	203,629	227,599	255,767	493,278
552,910	499,818	409,035	370,715	335,916	298,191
6,439,517	6,659,353	7,422,409	8,520,568	9,616,005	9,819,090
4,529,286	4,421,855	4,876,552	5,671,429	6,221,558	6,492,612
4,529,286	4,421,855	4,876,552	5,671,429	6,221,558	6,492,612
$ 10,968,803	$ 11,081,208	$ 12,298,961	$ 14,191,997	15,837,563	16,311,702
$ -	$ -	$ 196,951	$ 213,918	$ 205,610	$ -
528,717	630,944	640,535	681,863	613,857	944,490
232,881	451,516	409,571	202,747	116,757	269,611
494,826	496,675	841,396	558,548	439,491	517,682
437,074	2,173,436	-	1,549,258	877,760	-
-	712,345	18,483	73,467	294,555	3,921,277
1,693,498	4,464,916	2,106,936	3,279,801	2,548,030	5,653,060
4,775,275	5,602,448	7,095,074	7,660,420	8,079,552	8,088,531
368,375	1,386,276	410,000	542,768	876,793	-
-	-	-	-	2,123,502	1,762,321
5,143,650	6,988,724	7,505,074	8,203,188	11,079,847	9,850,852
$ 6,837,148	$ 11,453,640	$ 9,612,010	$ 11,482,989	13,627,877	15,503,912
$ (4,746,019)	$ (2,194,437)	$ (5,315,473)	$ (5,240,767)	$ (7,067,975)	$ (4,166,030)
614,364	2,566,869	2,628,522	2,531,759	4,858,289	3,358,240
$ (4,131,655)	$ 372,432	$ (2,686,951)	$ (2,709,008)	$ (2,209,686)	$ (807,790)

City of Lucas, Texas

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years

(accrual basis of accounting)

	2016	2017	2018	2019
General Revenues				
Governmental activities:				
Taxes:				
Property taxes	$ 2,988,174	$ 3,176,863	$ 3,534,633	$ 3,920,086
Sales tax	1,349,475	1,407,216	1,454,670	1,576,882
Franchise tax	420,003	318,056	410,594	413,713
Investment earnings	31,531	80,081	195,398	334,467
Other income	183,261	64,651	309,452	217,025
Transfers, net	160,926	158,865	274,498	238,387
Total governmental activities	5,133,370	5,205,732	6,179,245	6,700,560
Business-type activities:				
Investment earnings	8,478	33,792	104,144	205,199
Other income	-	-	-	-
Transfers, net	(160,926)	(158,865)	(274,498)	(238,387)
Total business-type activities	(152,448)	(125,073)	(170,354)	(33,188)
Total primary government	$ 4,980,922	$ 5,080,659	$ 6,008,891	$ 6,667,372
Change in Net Position				
Governmental activities	$ 4,761,426	$ 3,694,047	$ 1,549,422	$ 2,501,610
Business-type activities	1,433,752	785,233	406,360	1,070,990
Total primary government	$ 6,195,178	$ 4,479,280	$ 1,955,782	$ 3,572,600

2020	2021	2022	2023	2024	2025
$ 4,241,420	$ 4,393,105	$ 4,547,710	$ 5,089,979	$ 5,539,197	$ 5,852,041
1,827,798	2,114,433	2,432,430	2,558,589	2,657,921	2,902,063
391,893	391,599	447,706	471,540	522,937	530,571
202,167	37,869	124,210	769,680	1,154,624	1,379,320
88,672	156,826	-	-	225,686	212,590
294,753	284,355	365,050	380,975	389,592	393,600
7,046,703	7,378,187	7,917,106	9,270,763	10,489,957	11,270,185
114,429	9,968	62,517	486,369	699,059	579,546
1,200	-	4,000	-	-	-
(294,753)	(284,355)	(365,050)	(380,975)	(389,592)	(393,600)
(179,124)	(274,387)	(298,533)	105,394	309,467	185,946
$ 6,867,579	$ 7,103,800	$ 7,618,573	$ 9,376,157	$ 10,799,424	$ 11,456,131
$ 2,300,684	$ 5,183,750	$ 2,601,633	$ 4,029,996	$ 3,421,982	$ 7,104,155
435,240	2,292,482	2,329,989	2,637,153	5,167,756	3,544,186
$ 2,735,924	$ 7,476,232	$ 4,931,622	$ 6,667,149	$ 8,589,738	$ 10,648,341

City of Lucas, Texas

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2016	2017	2018	2019
General fund:				
Nonspendable	$ -	$ -	$ -	$ -
Restricted				
Impact fees	1,116,079	1,254,213	1,572,405	1,785,286
Pensions	-	216,615	233,592	252,407
Municipal court	51,623	55,688	62,899	70,355
Public safety	-	-	-	-
Capital improvements	-	-	1,385,000	1,385,000
Cable fees	17,670	21,843	25,318	28,582
Street maintenance (Brockdale)	-	204,594	245,054	285,878
Street maintenance (Other)	-	-	-	-
Project management	-	-	-	358,290
CARES funding	-	-	-	-
Capital outlay (Playground E&P)		-	1,132	1,132
Fire protection	-	-	-	-
Water rescue	-	-	-	-
Records management	-	-	-	-
Capital outlay (Ambulance)	2,382	-	100,000	200,000
Capital outlay (Building improv.)	-	-	-	-
Committed				
Capital outlay (Other)	-	-	150,000	-
Capital outlay (Blondy Jhune)	-	-	-	-
Capital outlay (Trinity Mills)	-	-	-	-
Law enforcement	-	-	-	-
Unassigned	7,834,423	8,774,909	7,380,496	7,442,323
Total general fund	$ 9,022,177	$ 10,527,862	$ 11,155,896	$ 11,809,253
All other governmental funds:				
Restricted for:				
Debt service	$ 704,397	$ 833,062	$ 969,611	$ 1,156,232
Fire protection	53,135	56,277	67,868	74,308
Capital improvement	2,901,186	6,866,803	4,892,086	8,220,098
Total all other governmental funds	$ 3,658,718	$ 7,756,142	$ 5,929,565	$ 9,450,638

2020	2021	2022	2023	2024	2025
$ -	$ -	$ -	$ -	$ 12,590	$ 4,194
2,115,802	1,417,322	1,748,913	1,881,660	1,563,450	1,754,061
252,407	279,043	280,509	284,802	-	-
77,594	75,515	84,760	94,872	105,417	117,750
-	-	-	-	-	106,685
613,590	-	500,448	-	-	-
31,834	34,707	37,228	39,751	42,274	44,328
385,528	-	31,464	31,464	31,464	31,464
-	-	-	-	-	1,005,584
70,853	-	-	-	-	-
89,755	-	-	-	-	-
1,132	1,132	1,132	1,132	1,132	-
-	16,379	13,130	-	-	16,430
-	120,000	-	-	-	-
-	-	13,903	5,779	-	-
-	-	-	-	-	-
-	-	-	-	-	478,454
250,000	300,000	861,682	2,719,600	2,001,901	2,034,116
-	-	-	-	49,500	5,600
-	-	-	-	358,012	358,012
-	-	-	-	67,152	-
6,203,973	10,085,127	9,831,538	9,375,288	10,385,567	11,533,595
$ 10,092,468	$ 12,329,225	$ 13,404,707	$ 14,434,348	$ 14,618,459	$ 17,490,273
$ 1,324,819	$ 1,326,101	$ 1,360,643	$ 1,413,890	$ 1,726,785	$ 1,795,840
79,527	105,439	108,766	120,492	159,184	217,260
6,884,024	9,591,973	8,741,047	9,029,160	9,518,048	9,871,086
$ 8,288,370	$ 11,023,513	$ 10,210,456	$ 10,563,542	$ 11,404,017	$ 11,884,186

City of Lucas, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2016	2017	2018	2019
Revenues				
Property taxes	$ 2,964,421	$ 3,199,118	$ 3,518,185	$ 3,954,237
Sales tax	1,349,475	1,407,216	1,454,670	1,576,882
Franchise taxes	420,003	318,056	410,594	413,713
Fines and forfeitures	90,522	88,342	35,037	32,340
Licenses and permits	568,630	627,675	871,480	463,900
Fire service agreements	413,144	446,144	508,170	527,303
Grants	-	126,168	342,372	181,400
Donations	37,600	-	-	-
Impact fees	402,068	356,940	341,597	232,881
Intergovernmental	-	-	-	-
Investment income	31,531	80,081	195,398	334,467
Other revenue	140,006	136,307	306,219	210,307
Total Revenues	6,417,400	6,786,047	7,983,722	7,927,430
Expenditures				
General government	882,248	886,212	947,731	995,991
Public works	479,430	446,562	1,071,172	515,752
Parks and recreation	106,408	69,247	134,568	152,485
Public safety	1,640,309	1,713,980	2,294,878	2,341,313
Development services	279,243	340,270	405,016	417,978
Debt service				
Principal	615,940	597,555	844,218	860,930
Interest	273,287	248,082	415,842	374,100
Bond issuance costs	-	111,007	-	153,693
Capital outlay	1,172,535	3,101,568	3,357,629	5,889,556
Total Expenditures	5,449,400	7,514,483	9,471,054	11,701,798
Revenues Over (Under) Expenditures	968,000	(728,436)	(1,487,332)	(3,774,368)
Other Financing Sources (Uses)				
Transfers in (out)	160,926	158,865	274,498	238,387
Debt issued	43,255	5,855,000	-	7,215,000
Premium on bonds issued	-	256,007	-	488,693
Insurance proceeds	-	60,401	-	-
Sale of capital assets	-	1,272	14,291	6,718
Total Other Financing Sources	204,181	6,331,545	288,789	7,948,798
Net Change in Fund Balances	$ 1,172,181	$ 5,603,109	$ (1,198,543)	$ 4,174,430
Ratio of total debt service expenditures to noncapital expenditures	21%	19%	21%	21%

2020	2021	2022	2023	2024	2025
$ 4,237,072	$ 4,392,506	$ 4,555,904	$ 5,023,335	$ 5,580,911	$ 5,817,030
1,827,798	2,114,433	2,432,430	2,558,589	2,657,921	2,902,063
391,893	391,599	447,706	471,540	522,937	530,571
90,281	-	-	-	-	158,032
496,675	993,084	841,396	558,548	439,491	360,981
540,663	585,092	624,820	666,148	839,543	943,159
712,345	17,380	18,483	73,467	294,555	350,520
-	-	-	-	-	-
451,516	459,118	409,571	202,747	116,757	269,611
-	4,182,590	-	-	-	-
202,167	37,869	124,210	769,681	1,154,622	1,379,320
145,416	156,825	212,666	229,633	205,610	236,970
9,095,826	13,330,496	9,667,186	10,553,688	11,812,347	12,948,257
1,220,744	1,128,717	1,185,761	1,322,844	1,395,867	1,410,644
711,839	484,418	639,503	863,384	844,573	1,014,029
130,564	144,106	169,128	193,438	218,994	208,662
2,310,128	2,450,541	2,970,097	3,378,429	4,558,180	4,158,388
338,684	409,058	469,995	444,264	477,567	494,252
915,000	3,145,000	1,115,000	920,000	950,000	985,000
585,398	605,440	480,099	440,608	405,483	369,008
-	-	-	-	-	-
3,736,780	4,785,459	2,740,228	2,080,548	2,327,656	1,360,781
9,949,137	13,152,739	9,769,811	9,643,515	11,178,320	10,000,764
(853,311)	177,757	(102,625)	910,173	634,027	2,947,493
294,753	284,355	365,050	380,975	389,592	393,600
-	1,745,000	-	-	-	-
-	193,382	-	-	-	-
-	-	-	-	-	-
-	250,914	-	91,579	967	10,888
294,753	2,473,651	365,050	472,554	390,559	404,488
$ (558,558)	$ 2,651,408	$ 262,425	$ 1,382,727	$ 1,024,586	$ 3,351,981
24%	45%	23%	18%	15%	16%

City of Lucas, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2016	$ 1,023,259,148	$ 158,170,201	$ 302,812,807	$ 878,616,542	$ 0.32066
2017	1,147,772,070	179,725,707	326,310,300	1,001,187,477	0.31795
2018	1,317,197,182	183,873,468	377,122,296	1,123,948,354	0.31795
2019	1,515,503,761	173,183,222	379,972,859	1,308,714,124	0.30322
2020	1,634,791,916	192,914,323	389,986,165	1,437,720,074	0.30322
2021	1,714,068,603	176,400,549	391,708,084	1,498,761,068	0.29980
2022	1,880,283,886	167,965,774	420,318,958	1,627,930,702	0.28840
2023	2,532,866,696	179,700,139	782,644,429	1,929,922,406	0.26802
2024	2,970,505,001	237,087,842	968,508,863	2,239,083,980	0.25676
2025	3,287,754,553	222,372,860	996,313,330	2,513,814,083	0.23905

Note: Tax rates per $100 of assessed valuation.

Source: Collin County Appraisal District

Total Estimated Actual Taxable Value	Assessed Value as Percentage of Actual Value
$ 1,181,429,349	74.37%
1,327,497,777	75.42%
1,501,070,650	74.88%
1,688,686,983	77.50%
1,827,706,239	78.66%
1,890,469,152	79.28%
2,048,249,660	79.48%
2,712,566,835	71.15%
3,207,592,843	69.81%
3,510,127,413	71.62%

City of Lucas, Texas

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

	2016	2017	2018	2019
Direct Rates:				
City of Lucas - Operating	0.25204	0.24723	0.25772	0.26122
City of Lucas - Debt Service	0.12214	0.12695	0.11645	0.11296
Total Direct Rate	0.37418	0.37418	0.37418	0.37418
Overlapping Rates:				
Lovejoy Independent School District	1.53500	1.53500	1.53500	1.53500
Allen Independent School District	1.54000	1.54000	1.67000	1.67000
McKinney Independent School District	1.54000	1.52800	1.54000	1.54000
Plano Independent School District	1.32840	1.35340	1.37340	1.37340
Princeton Independent School District	1.49000	1.49000	1.47360	1.48000
Wylie Independent School District	1.59000	1.64000	1.64000	1.64000
Collin County	0.24250	0.24000	0.24000	0.24000
Collin County Community College	0.08630	0.08630	0.08630	0.08630

Tax rates per $100 of assessed valuation.
Source: Collin County Central Appraisal Districts and City records.

Note 1: The City's basic property tax rate may be increased only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

2020	2021	2022	2023	2024	2025
0.25401	0.23307	0.21551	0.23037	0.19870	0.18481
0.10161	0.08759	0.10515	0.08758	0.11925	0.05425
0.35562	0.32066	0.32066	0.31795	0.31795	0.23905
1.53500	1.56000	1.56000	1.67000	1.67000	1.25520
1.67000	1.64000	1.61000	1.59000	1.57000	1.12580
1.67000	1.67000	1.67000	1.62000	1.62000	1.12520
1.45300	1.44800	1.43900	1.43900	1.43900	1.04245
1.51000	1.62000	1.62000	1.62000	1.62000	1.25520
1.64000	1.64000	1.64000	1.64000	1.64000	1.21020
0.23750	0.23500	0.22500	0.20800	0.19200	0.14934
0.08364	0.08196	0.08196	0.08122	0.07981	0.08122

Lucas

City of Lucas, Texas

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

	2025			2016		
Property Tax Payer	**Taxable Assessed Value**	**Rank**	**% of Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**% of Taxable Assessed Value**
Wal-Mart Real Estate	$ 16,277,400	1	0.65%	$ -		-
Dahlia ARR LLC	8,250,000	2	0.33%	-		-
Texas Henderson LLC	7,430,550	3	0.30%	-		-
Hendrick Farm Development LLC	7,022,142	4	0.28%	-		-
Smith Rusell Tyler	6,762,753	5	0.27%	-		-
MM Lucas 135 LLC	6,675,986	6	0.27%	-		-
Lucas Plaza YSR LLC	6,620,000	7	0.26%	-		-
Wal-Mart Stores Texas LLC	6,139,813	8	0.24%	-		-
Grayson-Collin Elec Coop	5,614,950	9	0.22%	-		-
Realty Income Properties 22 LLC	4,740,000	10	0.19%	-		-
Wal-Mart Real Estate Business Trust	-		-	15,507,253	1	1.76%
Wal-Mart Stores Texas LLC	-		-	10,136,706	2	1.15%
DR Horton - Texas LLC	-		-	9,762,112	3	1.11%
MCCH Industries LLC	-		-	3,704,706	4	0.42%
Lucas Real Estate LLC	-		-	3,610,568	5	0.41%
CTMGT Creekside Estates LLC	-		-	3,334,822	6	0.38%
Bank of America Naitonal Association	-		-	2,554,496	7	0.29%
R Rivas Family Partnership LP	-		-	2,340,050	8	0.27%
Williams Karl	-		-	1,823,749	9	0.21%
Sooner Ranch Properties LP	-		-	1,670,057	10	0.19%
Total	$ 75,533,594		3.00%	$ 54,444,519		6.20%
Total Assessed Valuation	$ 2,513,814,083		100%	$ 878,616,542		100%

Source: Tax Office.

Note: Property is assessed as of January 1 and certified to the City by July 25 for taxable values.

City of Lucas, Texas

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years

	2016	2017	2018	2019
Tax levy	$ 2,916,026	$ 3,166,220	$ 3,494,617	$ 3,919,539
Current tax collected	$ 2,796,734	$ 3,117,732	$ 3,476,119	$ 3,872,364
Percent of current tax collections	95.9%	98.5%	99.5%	98.8%
Delinquent tax collections	$ 112,841	$ 44,816	$ -	$ 47,175
Total tax collections	$ 2,909,575	$ 3,162,548	$ 3,476,119	$ 3,919,539
Total collections as a percentage of levy	99.78%	99.88%	99.47%	100.00%

Source: Dallas and Collin County reports.

2020	2021	2022	2023	2024	2025
$ 4,214,364	$ 4,369,607	$ 4,535,324	$ 5,008,367	$ 5,555,312	$ 5,789,860
$ 4,214,364	$ 4,359,330	$ 4,531,877	$ 4,973,893	$ 5,517,222	$ 5,780,117
100.0%	99.8%	99.9%	99.3%	99.3%	99.8%
$ -	$ 10,277	$ 3,447	$ 34,474	$ 38,090	$ -
$ 4,214,364	$ 4,369,607	$ 4,535,324	$ 5,008,367	$ 5,555,312	$ 5,780,117
100.00%	100.00%	100.00%	100.00%	100.00%	99.83%

City of Lucas, Texas

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	2016	2017	2018	2019
Governmental activities:				
General Obligation Bonds	$ 1,325,000	$ 1,125,000	$ 920,000	$ 705,000
Certificates of Obligation	5,914,957	11,663,928	11,061,892	18,158,549
Leases	177,703	120,148	60,930	-
Business-type activities:				
General Obligation Bonds	695,000	525,000	425,000	320,000
Certificates of Obligation	3,253,733	6,088,006	5,754,189	6,893,709
Total primary government	$ 11,366,393	$ 19,522,082	$ 18,222,011	$ 26,077,258
Percentage of personal income (1)	2.82%	4.32%	3.70%	4.90%
Per capita (1)	$ 1,610	$ 2,640	$ 2,293	3,227

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Personal income and population data is disclosed on page 123.

2020	2021	2022	2023	2024	2025
$ 480,000	$ 2,164,044	$ 1,749,706	$ 1,575,367	$ 1,396,029	$ 1,206,691
17,420,223	14,427,804	13,663,266	12,853,729	12,019,191	11,159,653
-	-	-	-	-	-
210,000	1,385,837	1,172,967	1,055,096	937,225	814,341
6,490,242	4,679,977	4,373,932	4,057,887	3,736,842	3,405,809
$ 24,600,465	$ 22,657,662	$ 20,959,871	$ 19,542,079	$ 18,089,287	$ 16,586,494
4.36%	3.76%	3.10%	2.70%	2.37%	2.08%
2,950	2,606	2,324	2,129	1,945	1,757

City of Lucas, Texas

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Years

	2016	2017	2018	2019
NET TAXABLE ASSESSED VALUE				
All property	$ 878,616,542	$ 1,001,187,477	$ 1,123,948,354	$ 1,308,714,124
NET BONDED DEBT (1)				
Gross bonded debt	11,188,690	19,401,934	18,161,081	26,077,258
Less debt service funds	(704,397)	(833,062)	(969,611)	(1,156,232)
Net Bonded Debt	$ 10,484,293	$ 18,568,872	$ 17,191,470	$ 24,921,026
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	1.19%	1.85%	1.53%	1.90%
POPULATION	7,061	7,395	7,947	8,080
NET BONDED DEBT PER	$ 1,485	$ 2,511	$ 2,163	$ 3,084

Note: Details regarding the City's oustanding debt can be found in the notes to the financial statements.

(1) This is the general bonded debt of both governmental and business-

2020	2021	2022	2023	2024	2025
$ 1,437,720,074	$ 1,498,761,068	$ 1,627,930,702	$ 1,929,922,406	$ 2,239,083,980	$ 2,513,814,083
24,600,465	22,657,662	20,959,871	19,542,079	18,089,287	16,586,494
(1,321,951)	(1,326,100)	(1,360,643)	(1,413,890)	(1,726,785)	(1,795,840)
$ 23,278,514	$ 21,331,562	$ 19,599,228	$ 18,128,189	$ 16,362,502	$ 14,790,654
1.62%	1.42%	1.20%	0.94%	0.73%	0.59%
8,338	8,695	9,020	9,181	9,300	9,438
$ 2,792	$ 2,453	$ 2,173	$ 1,975	$ 1,759	$ 1,567

City of Lucas, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2025

Governmental Unit	Gross Bonded Debt Outstanding [a]	Estimated Percentage Applicable [b]	Estimated Share of Overlapping Debt [a]*[b]
Debt repaid with property taxes			
Allen ISD	$ 726,869,039	0.84%	$ 6,105,700
Collin County	982,755,000	0.94%	9,237,897
Collin County Community College District	438,250,000	0.94%	4,119,550
Lovejoy ISD	192,515,000	34.33%	66,090,400
McKinney ISD	431,975,000	0.48%	2,073,480
Plano ISD	1,409,280,000	0.13%	1,832,064
Princeton ISD	667,854,034	0.16%	1,068,566
Wylie ISD	629,119,927	0.41%	2,579,392
Subtotal, overlapping debt			93,107,049
City direct debt			12,366,344
Total direct and overlapping debt			$ 105,473,393

Note: Overlapping debt is calculated using the assessed valuation (AV) method based on the City's share of each overlapping entity's taxable assessed valuation.

Sources: Taxing Entities and City, Dallas Central Appraisal District, and the Collin County Appraisal District, Municipal Advisor Council (MAC).

City of Lucas, Texas

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Year	Estimated Population	Personal Income	Per Capita Personal Income	Average Age	School Enrollment	Unemployment Rate
2016	7,061	$ 403,585,577	$ 57,157	40	3,925	3.4%
2017	7,395	452,418,705	61,179	41	4,055	3.5%
2018	7,947	492,801,417	62,011	40	4,201	3.2%
2019	8,080	532,358,880	62,011	41	4,261	3.4%
2020	8,338	564,549,304	67,708	41	4,350	7.1%
2021	8,695	601,917,309	69,739	41	4,192	5.0%
2022	9,020	675,137,980	74,849	42	4,335	3.3%
2023	9,181	722,618,148	78,708	45	4,246	3.9%
2024	9,300	764,264,700	82,179	46	4,084	3.9%
2025	9,438	799,090,638	84,667	47	3,846	4.2%

Sources: Estimated population provided by City of Lucas Staff.
Per Capita Income provided by US Census Bureau and adjusted using a modest estimated annual growth rate. (Estimated amounts are presented for trend analysis purposes only.)
Enrollment information provided by Lovejoy Independent School District.

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City of Lucas, Texas

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government and Adminstration	3	4	4	4	4	4	5	5	3	5
Finance	4	4	4	4	4	4	3	3	3	3
Development Services	4	5	5	5	5	5	6	6	6	5
Fire/EMS	12	12	16	16	16	16	19	19	19	19
Public Works/Water Eng.	9	9	9	9	10	10	10	11	10	12
Total	32	34	38	38	39	39	43	44	41	44

Sources: Various City departments.

City of Lucas, Texas

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2016	2017	2018	2019	2020
Public safety					
Municipal court					
Number of cases filed	2	13	6	14	1
Fire/EMS					
Number of calls answered	532	596	773	757	848
Public works					
Streets maintained (miles)	75	75	76	77	80
Development services					
Building permits	777	818	1,028	714	771
Water and sewer					
New connections	105	81	106	87	96
Annual gallons pumped (thousands)	421,738	424,082	506,758	439,653	457,649
Miles of water mains maintained	55	57	56	57	105

Sources: Various City departments.

2021	2022	2023	2024	2025
4	7	81	6	6
941	993	1,032	1,056	1,037
80	80	80	80	80
859	946	785	646	730
151	121	52	38	43
456,998	607,313	638,823	613,181	702,141
106	103	106	106	106

City of Lucas, Texas

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Years

Function/Program	2016	2017	2018	2019	2020
Public safety					
Fire stations	1	1	1	1	1
Public works					
Streets-paved	231	233	234	235	236
Parks	3	3	3	3	3
Parks (acres)	11	11	11	11	11
Water and sewer					
Water mains (miles)	104.0	104.0	104.0	105.0	105.0
Storm mains (miles)	3	3	3	3	3
Storm drainage (miles)	2.5	2.5	2.5	2.5	2.5

Sources: Various City departments.

2021	2022	2023	2024	2025
1	1	1	1	1
236	236	236	236	236
3	3	3	3	3
11	11	11	11	11
105.0	106.0	106.0	106.0	106.0
3	3	3	3	3
2.5	2.5	2.5	2.5	2.5

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